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To: Cllr Tim Newhouse (Chairman)

Councillors: Glyn Banks, Haydn Bateman, Ian Dunbar, Alison Halford, Ian Roberts, Arnold Woolley

Co-opted Member:

Mr. Paul Williams

8 March 2016

Dear Sir/Madam

You are invited to attend a meeting of the Audit Committee which will be held at 10.00 am on Wednesday, 16th March, 2016 in the Clwyd Committee Room, County Hall, Mold CH7 6NA to consider the following items

A G E N D A

1 **APOLOGIES**

Purpose: To receive any apologies.

2 **DECLARATIONS OF INTEREST (INCLUDING WHIPPING DECLARATIONS)**

Purpose: To receive any Declarations and advise Members accordingly.

3 **MINUTES** (Pages 5 - 18)

Purpose: To confirm as a correct record the minutes of the meeting held on 27 January 2016 (copy enclosed).

4 **TREASURY MANAGEMENT UPDATE 2015/16** (Pages 19 - 30)

Report of Corporate Finance Manager enclosed.

Purpose: To provide members with a quarterly update on matters relating to the Council's 2015/16 Treasury Management Strategy up to the end of February 2016.

5 **WALES AUDIT OFFICE – AUDIT PLAN 2016** (Pages 31 - 62)

Report of Chief Executive and Corporate Finance Manager enclosed.

Purpose: To provide the Audit Committee with the Wales Audit Office - Audit Plan for 2016,

6 **INTERNAL AUDIT STRATEGIC PLAN** (Pages 63 - 82)

Report of Internal Audit Manager enclosed.

Purpose: To present the proposed Internal Audit Plan for the three year period 2016/17 to 2018/19 for Members' consideration.

7 **AUDIT COMMITTEE SELF ASSESSMENT** (Pages 83 - 96)

Report of Internal Audit Manager enclosed.

Purpose: To inform Members of the results of the Audit Committee self assessment which will feed into the preparation of the Annual Governance Statement 2015/16. It will also form the basis for the provision of any further training required by the committee.

8 **PUBLIC SECTOR INTERNAL AUDIT STANDARDS** (Pages 97 - 144)

Report of Internal Audit Manager enclosed.

Purpose: To inform the committee of the results of the annual internal assessment of conformance with the Public Sector Internal Audit Standards (PSIAS).

9 **ACTION TRACKING** (Pages 145 - 150)

Report of Internal Audit Manager enclosed.

Purpose: To inform the Committee of the actions resulting from points raised at previous Audit Committee meetings.

10 **FORWARD WORK PROGRAMME** (Pages 151 - 158)

Report of Internal Audit Manager enclosed.

Purpose: To consider the Forward Work Programme for the Audit Committee.

11 **INTERNAL AUDIT PROGRESS REPORT** (Pages 159 - 188)

Report of Internal Audit Manager enclosed.

Purpose: To present to the Committee an update on the progress of the Internal Audit department.

12 **INTERNAL AUDIT PROGRESS REPORT - SUPPLEMENTARY REPORT**
(Pages 189 - 196)

Report of Internal Audit Manager enclosed.

Purpose: To receive the findings and recommendations of the 'red' review on E-Teach.

NOTE: Annual Meeting with Internal and External Auditors

In accordance with the agreed procedure, members of the Audit Committee will meet with the Internal and External Auditors immediately following the meeting.

Yours faithfully



Peter Evans
Democracy & Governance Manager

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AUDIT COMMITTEE **27 JANUARY 2016**

Minutes of the meeting of the Audit Committee of Flintshire County Council held in the Clwyd Committee Room, County Hall, Mold on Wednesday, 27 January 2016

PRESENT: Councillor Tim Newhouse (Chairman)

Councillors: Glyn Banks, Haydn Bateman, Ian Dunbar, Alison Halford, Ian Roberts and Arnold Woolley

CO-OPTED MEMBER: Mr. Paul Williams

APOLOGY: Amanda Hughes of Wales Audit Office

ALSO PRESENT: Councillors: Bernie Attridge, Clive Carver and Kevin Jones

IN ATTENDANCE:

Chief Executive, Chief Officer (Governance), Internal Audit Manager and Committee Officer

Mr. John Herniman of Wales Audit Office

Policy, Performance Manager for minute number 42

Finance Manager - Technical Accountancy for minute numbers 44-46

39. DECLARATIONS OF INTEREST

The Chairman declared a personal and prejudicial interest on Agenda Item 13 'Internal Audit Progress Report', however this item was later deferred.

40. MINUTES

The minutes of the meeting held on 24 September 2015 were submitted.

Matters Arising

Minute number 33: Minutes of the previous meeting - the Chief Officer (Governance) reminded Councillor Alison Halford of her comments on the minutes and the sharing of a copy of the handwritten notes which showed that the Chief Executive had clarified a section of the minutes but had not added to them. As such, he asked if Councillor Halford was willing to withdraw her comments, as had been requested. Councillor Halford refused and said that she was entitled to check and to challenge the minutes for inaccuracies which she felt was an issue. She explained that her comments had been based on her concerns about the source of the salary of the Police & Crime Commissioner (P&CC) and that she had discussed this with the Assembly Member. She continued to dispute the accuracy of the response which had been given by the Chief Executive.

Whilst the Chief Officer acknowledged the right of Members to query the minutes, he said that her insinuation that the Chief Executive had added in his own opinion not said at the meeting went beyond challenging the accuracy of the minutes.

The Chief Executive advised that he had discussed his concerns with Councillor Halford and that her comments were not acceptable given the evidence shared. He added that the Police and Crime Commissioner himself had given an explanation of the funding for his office at a meeting of full Council and the Corporate Resources Overview & Scrutiny Committee, which was consistent with that given by the Chief Executive. However the substantive issue was about the insinuation made against him which he felt should be retracted.

The Chairman asked if Councillor Halford wished to retract her comments to which she declined.

RESOLVED:

That the minutes be approved as a correct record and signed by the Chairman.

41. PAYROLL FOLLOW UP

The Internal Audit Manager presented a report on the outcome of the follow-up review undertaken in response to the findings of the Wales Audit Office (WAO) in the Audit of Financial Statements report considered in September 2015. Following consideration at that meeting, the follow-up review by Internal Audit had been brought forward to share the findings and give assurance to the Committee, along with other actions from the WAO review. The report indicated that substantial progress had been made by Employment Services and Payroll to implement most of the recommendations, some ahead of schedule, with work on the remainder underway.

The Chief Executive explained that the Chair and Vice-Chair had been briefed on the outcomes and confirmed that Sharon Carney was the Interim Human Resources and Organisational Development Manager. As a result of the concerns raised, the establishment of a project group had helped to make progress in putting in place more robust arrangements. The issues involved a number of complexities but were not about accuracy of payroll payments, and the process was particularly important in respect of Single Status. The Chief Executive added his appreciation to WAO for raising the concerns to eradicate any risk for future accounting.

Mr. Paul Williams thanked the Chief Executive and officers for their rapid progress and for the new actions added by the Internal Audit Manager. He referred to the request for employees to complete the 'Reporting Manager' fields on the iTrent reports and felt that this should be a stronger directive to Chief Officers for their employees to provide this information. The Internal Manager said that progress on this action was indicated in the follow-up report and that the need to complete this action would be stressed. The Chief Executive agreed that an instruction would be issued to require responses back by 31 March 2016 with any incomplete records to be followed up with Chief Officers.

Councillor Alison Halford expressed concern with some of the issues in the report and sought clarity on the area of responsibility for the failings. The Internal Audit Manager said it was not the fault of the software, but was due to incompleteness of some of the data within the fields on the system. He provided responses on actions being taken to address three of the issues, as set out in the report. In response to a query on the reporting of accurate data for the Clwyd Pension Fund, he advised that some improvement had been made with more work to be made as the issue was still being investigated. Councillor Halford asked for more detail on this, which the Internal Audit Manager agreed to provide separately.

When asked for his views by Councillor Halford, the Chief Executive repeated his earlier comments that the issues were around record-keeping and not individuals, software or inaccuracy of payments. He advised that swift progress had been made on the action plan to the satisfaction of all parties, recognising that there was still some work to do.

Councillor Halford asked the Chief Executive to confirm that he was satisfied with the fact that there was incomplete data in the 'Reporting Manager' field for 719 employees in March 2015. The Chief Executive questioned the motives behind these questions and replied that there was assurance from the progress on actions through the Internal Audit work and that he was satisfied with this and explanation of the issues.

Whilst Councillor Ian Roberts agreed with Members' right to ask questions, he raised concerns that there seemed to be a hidden agenda behind the questioning and pointed out that there were a number of agenda items yet to be considered.

Councillor Glyn Banks congratulated the Internal Audit Manager for the report with ten of the recommendations already implemented, noting that most of the points raised by Councillor Halford were for recommendations where actions were still in progress. The Chief Executive spoke about the project group which involved Internal Audit and said that the sharing of informal advice would remain part of the work as good practice.

Councillor Arnold Woolley asked if the action target dates were achievable and whether any carried forward would require further update reports to the Committee. The Internal Audit Manager advised that actions were scheduled for implementation by the required dates, with some already completed early and that progress with tracking recommendations would be reported to the Committee.

Mr. John Herniman of WAO welcomed the rapid progress made on the recommendations which would be reviewed as part of work on the 2015/16 accounts. He explained the likelihood of identifying some issues raised previously due to the timing of the report.

The Chief Executive confirmed that responses would be sought for the missing field data fields on iTrent by 31 March 2016 and that any outstanding data would be subject to immediate reconciliation work by the respective officers.

RESOLVED:

That the progress made in implementing the actions from the original report be noted.

42. RISK MANAGEMENT UPDATE

The Policy & Performance Manager provided an update on the areas of risk management under the remit of the Committee. The mid-year position on strategic risks in the Council's Improvement priorities reported positive movement with risks being successfully managed. A summary of all the risks was appended to the report indicating that 34 remained stable, with eight decreasing and three increasing. An additional paper was circulated to the Committee showing progress and narrative on the four major (red) risk areas. Members were reminded that detailed progress on risks in the Improvement Plan was reported quarterly to the respective Overview & Scrutiny Committees.

The report also included a copy of the Risk Management Policy & Strategy which had been refreshed to strengthen the approach to risk management, as previously endorsed by the Committee. The Strategy was now operational across all work areas of the organisation and had been shared with the Wales Audit Office (WAO) and made available on the Council's Infonet. A copy of the Certificate of Compliance by the Auditor General for Wales in relation to the publication of the Annual Performance Report 2014/15 was also provided for information.

The Chief Executive said that the information provided demonstrated the way that the system had been used to capture risks in the Improvement Plan, aligned to milestone and performance targets. He commented on the role of the Committee in seeking assurance of the systems in place and offered to clarify any areas of concern.

In response to earlier comments, Councillor Alison Halford said that she had no hidden agenda and wanted to ensure value for money. She referred to the additional information circulated on the supply of affordable housing and pointed out that this was already included in the report. The Policy & Performance Manager explained that the paper provided more clarity on the four 'red' risk areas at the time of the assessment and had been omitted from the agenda in error. In response to a query on the risks relating to the waste transfer station, the Chief Executive explained that the risk status was now closed as there was no longer any risk because the Council's facilities were now in place. He provided further explanation on expected movement on the 'scale of the financial challenge' once the budget had been approved and on the 'capacity and capability to implement necessary changes' linked to the delivery of alternative delivery models.

Councillor Arnold Woolley raised concerns about the risk in delivering the Welsh Housing Quality Standard (WHQS) due to the size of the work programme and the transfer of funding from health and rollout of Superfast Broadband which could involve issues outside the Council's control. In response, the Chief Executive stated his confidence in the funding and delivery of the WHQS work programme, explaining that this was the first year of major spend and ensuring capacity was in

place. Any slippage on targets for the second year would be recaptured with no risk to the overall delivery of the programme. On health, the system for accessing grants could involve delays and negotiations were currently underway about accessing other funding. The rollout of Superfast Broadband had started to improve coverage in some areas and the risk status was expected to decrease as the programme rolled out further. It was noted that the new Director of BT had been invited to attend an Overview & Scrutiny Committee meeting.

Councillor Woolley also raised concerns about the risk on failing to access external funding programmes to invest in urban and rural areas. The Chief Executive confirmed that the approach was to maximise opportunities to access funding and that the next phase of European Social Funds would be explored.

Councillor Halford asked whether the Cabinet Member for Economic Development could provide a note for the Committee on whether there was a failure in accessing funds. The Chief Executive replied that the Council did compete successfully on accessing funding and suggested that more detail on this risk could be reported as part of the regular Improvement Plan report to the next meeting of the Community & Enterprise Overview & Scrutiny Committee.

Mr. Paul Williams stated the remit of the Audit Committee was to ensure the risk management process was robust and suggested that it would be helpful for future reports to include a mechanism showing movement on current risks and that the report could contain more narrative for all red areas to help with monitoring. The Chief Executive agreed that this would be actioned.

RESOLVED:

- (a) That the mid-year summary of the strategic risks of the Improvement priorities of the Council be noted;
- (b) That the refreshed risk management strategy be endorsed; and
- (c) That the Certificate of Compliance provided by the Auditor General for Wales in relation to the publication of the Annual Performance Report 2014/15 be noted.

43. CONSULTANTS

The Internal Audit Manager presented a report on the findings of the review on the Council's use of consultants, following previous discussion by the Committee. He gave a reminder that the scope of the review had been around the controls and processes of engaging consultants and had not looked at the need for or value of consultants. However, during the process it became clear that the scope should be widened.

During explanation on the review, the Internal Audit Manager advised that the general ledger figure of £2.8m spend on consultants was considered inaccurate due to miscoding and misinterpretation of consultancy definitions and that this was a major factor of the report. He provided detail on the findings, adding that a number

of actions had been taken since preparation of the report, for example a working group to drive forward the actions, the implementation of new business case arrangements and communications to the Chief Officer team and management to follow-up actions. He gave assurance on the involvement of Internal Audit as part of that work and that of the officer group on accounting codes.

The Chief Executive provided context by acknowledging the need to widen the scope of the review to include controls, adding that miscoding errors did not mean inappropriate spend, which could for example be on specialist training. He gave a reminder that consultants were engaged (through agencies or individuals) to provide specific tasks for which the Council had no internal expertise. He said that consultancy spend this year had decreased and that the Corporate Resources Overview & Scrutiny Committee had been satisfied with the explanations on managing risk within the Change programme. The new arrangements for consultancy engagement meant that those under £25K would require approval by the Chief Officer (Governance) with the Chief Executive taking responsibility for all proposed consultancy spend over £25K. Information was shared on the few consultants above this threshold who were engaged in Organisational Change, Streetscene and Social Services. All were being monitored and had business cases on record. For the ongoing use of consultants, officers were challenging outcomes and progress to gain assurance with the expectation for knowledge sharing.

Councillor Alison Halford referred back to when she had first raised the issue of consultants. She spoke about the time taken to clarify definitions, the report from March 2011 which had focussed on controls rather than cost, followed up by a commitment from former Directors to share information on consultants, a further report on controls in December 2011 and work carried out by the Wales Audit Office (WAO). She raised concerns about the four bullet-points under the audit opinion in the report, which she felt did not correlate to what the Chief Executive had said. She went on to speak about the lack of recognition of consultancy organisations used by the Council as opposed to individual consultants and suggested that the £3m spend recorded for 2014/15 could have been much higher. She asked about the source of the budget for consultants and went to state that the Chief Executive was not fit for purpose, as she had already said outside the meeting.

The Chairman pointed out the findings of Internal Audit around the inaccuracy of the 2014/15 figure, and asked Councillor Halford whether she wished to stand by her comments despite this.

Councillor Halford said that she had read the report and was entitled to her opinion, saying that the Cabinet Member for Finance and the Chief Executive could not keep on making mistakes and the Audit Committee take no notice. She referred again to the explanation given in the audit opinion and added that the data released for the Freedom of Information request was inaccurate.

The Chief Executive said that this was the last time he would be undermined by Councillor Halford. When asked if they were satisfied with the answers given to the questions, the other Members indicated that their agreement.

In response to comments on the authorisation of consultancy charges raised at a recent budget meeting, the Chief Executive provided clarification on this issue which related to Alternative Delivery Models, as had been discussed at Informal Cabinet. In respect of social care and health, the questions raised at the budget meeting had been addressed to the satisfaction of that Committee including the Chair. Concerning the comments made, he reiterated that there had been no evidence of actual financial loss, only the risk of loss. On controls, he had given a full explanation on those responsible for the system and the approach to engaging consultants and had taken personal responsibility to co-ordinate this with actions ahead of schedule. Sources of funding were either from designated budgets, corporate resources for time limited tasks such as Single Status which would add value or were partly/wholly funded from grants built into the cost of delivery, eg to support work on the Queensferry roundabout scheme with contributions from WG.

The Chief Officer (Governance) highlighted the necessity to engage suppliers of professional services such as barristers for County Court matters which differed slightly from consultants. However, as the previous definitions had been unclear, there had been confusion about what were professional services and what was consultancy. On the miscoding errors, other sources of information had been explored to give an indication on spend as set out in section 4 of the Internal Audit report. With regard to the point raised about Directors sharing details of consultant engagement, this had been identified by Internal Audit as an area not working effectively and the new processes had been implemented with clarity on the definition of consultants.

In response to Councillor Halford's concerns, the Internal Audit Manager explained that the explanation on the 'red - limited' assurance opinion was standard working indicating that 'one or more' of the bullet-points applied. To clarify, he said that the findings met two or possibly three of the four criteria, as key controls did not exist, however there was no evidence of significant financial/other losses but there was potential for this due to the lack of controls. As indicated in the impact, he could not say whether there had been any loss and there was a possibility of waste and damage to reputation. In relation to the sample of invoices, he stated that the payments which were incorrectly coded as consultants were nevertheless for legitimate purposes.

Councillor Arnold Woolley made reference to the supplementary information on consultants considered with the Statement of Accounts 2014/15, which had amounted to £490K. Councillor Woolley noted the correlation between that total with the indicative trend figure 2014/15 of £433K in the audit report which could give the Committee assurance that this was likely to be the more accurate figure. He noted that it differed vastly from the general ledger figure. He said that his major concerns were on reliability rather than figures and the Committee should seek assurance on this as part of its role and accountability on spend and value for money. He suggested that the approach should be to focus on outcomes from the actions due by the end of February and that the Committee should demand rigorous answers to any outstanding issues at that time.

The Chief Executive gave a commitment to progress actions and to use accounting data after the end of the first quarter to give assurance on improved

coding. A report on consultants would also be submitted to the Corporate Resources Overview & Scrutiny Committee on 11 February 2016.

It was pointed out by Mr. Paul Williams that the indicative spend on consultancy was likely to be higher as it did not include those on the Matrix system. He suggested that the supplementary information in the annual statement of accounts for 2015/16 should in future reflect the full cost of consultants for the financial year, including spend on both organisations and individuals. He welcomed the findings of the audit report but was concerned about continued non-compliance and questioned the role of the Committee and his part on it when identified issues remained ongoing without accountability. He felt that a possible solution would be for an independent, dedicated Chief Finance Officer to drive accountability and ensure that procedures were implemented. He went on to question whether the issue was due to failings by officers or time/resources.

These frustrations were shared by the Chief Executive, although evidence had been provided on the progress made. In responding, he pointed out that the use of consultants was an operational responsibility for all managers with the support of Finance and other sections, and that the Finance function added value but did not deal with controls. He referred to the two high-profile 'strategically critical' consultancy engagements identified in section 12 of the audit report whose work had been built into the delivery of the project plan with transfer of knowledge demonstrated. He added that adherence to the Contract Procedure Rules was the responsibility of all accountable managers and there had been no negative feedback on the performance of the Finance function as a result of the streamlined model adopted in 2014, although capacity issues were acknowledged.

On accountability, the Chief Officer (Governance) said that the flaw in consultancy procedures was being addressed and explained more about the introduction of 'category' management as a single point of control for authorising future consultancy spend on the P2P system.

Mr. John Herniman advised that where repeated non-compliance existed, the consequences should be considered and the reasons established to decide on a course of action and to build this into the ethos of the Council. The Chief Executive agreed that a harder stance could be taken on evidence of continued non-compliance to involve disciplinary procedures.

Councillor Halford stated that she wished to express her concerns. She felt that the audit report contained some misunderstandings which did not fit in with the information given to the Committee in 2010/11 and that the action plans shared in 2011 should have been addressed by now.

The Chairman shared the frustrations but said that the report acknowledged the remaining actions to be taken and that the Committee would expect feedback in September 2016 to give some confidence on consultancy spend and adherence to procedures across the Council. He hoped that this message would be reinforced to the workforce, with an audit trail in place to ensure value for money on use of consultants.

Councillor Halford asked if the Chairman would allow a vote on her suggestion for an external body to follow up the issue, given the concerns raised. The Chairman stated his satisfaction at the job undertaken by Internal Audit with progress to be reported back to the Committee.

In response to the concerns raised, the Chief Officer (Governance) suggested a series of recommendations for consideration by the Committee. These related to the provision of extra information on all consultancy spend, investigation of non-compliance with the procedures and a future update report to the Committee.

On the update report, the Chief Executive suggested an informal briefing for the Chair and Vice-Chair towards the end of the first quarter as an interim measure. Mr. Williams asked that the Chief Executive raise the concerns with the workforce and highlight accountability on the consequences for non-compliance with the procedures. The Chief Executive agreed to action this through the project group.

Councillor Woolley referred to other issues of non-compliance previously raised and asked whether the new structure was adequately resourced to carry out service demands. The Chief Executive replied that all Chief Officers had conducted risk assessments on the capacity within teams but that there would always be an element of risk. The proof was in service delivery and governance arrangements which were part of an ongoing process and were taken into consideration on restructures.

Councillor Glyn Banks wished to place on record his support for the Chief Executive and his disagreement on some of the comments which had been raised at the meeting. Whilst acknowledging that the areas for further improvement were being addressed through actions, he felt that the Committee should be fully briefed and not just the Chair and Vice-Chair. The Chairman requested that the update report be brought to the Committee in July rather than September.

Councillor Haydn Bateman agreed with the comments made by Mr. Williams and Mr. Herniman and acknowledged the assurances given by the Chief Executive.

Councillor Ian Roberts agreed that there was no more room for failure on this matter and that controls were needed, however this was not without risk and the Council had gone through significant change since the issue was identified in 2011. In supporting the point made by Councillor Banks, he felt that highly personal comments had been made during the debate and urged the withdrawal of the comment about the Chief Executive. Councillor Halford refused this request.

Following a short recess, the Committee reconvened and supported the suggested recommendations made by the Chief Officer (Governance), incorporating Mr. Williams' comments on the need for compliance with corporate requirements and procedures and the update report to be brought forward to the July meeting.

RESOLVED:

- (a) That additional information supplied as part of the annual accounts on individual consultants should include spend on all consultants;
- (b) That officers look at the reasons for any further non-compliance with corporate requirements and procedures and check appropriate management actions and accountability; and
- (c) That a separate report outside the usual follow-up update be brought to the Committee's meeting on 13 July 2016.

44. TREASURY MANAGEMENT STRATEGY 2016/17, MID YEAR REVIEW AND UPDATE 2015/16

The Finance Manager - Technical Accountancy presented the draft Treasury Management Strategy 2016/17 for review and discussion, seeking recommendation to Cabinet, in conjunction with the draft Treasury Management Policy Statement and draft Treasury Management Practices 2016-19. Section 1.05 of the report detailed the changes to four areas of the Strategy, although there were no major differences from the previous year. The annual Treasury Management training session for Members had taken place the day before the meeting. The report also sought comments from the Committee on the draft Treasury Management Mid-Year report for 2015/16 prior to consideration by Cabinet, and provided a quarterly update for information.

In response to a query from Councillor Arnold Woolley on the Policy Statement, the Finance Manager explained that only significant changes would need to be brought back for consideration by Members, however she did not envisage this to be necessary.

On Treasury Management Practices 2016-19, Mr. Paul Williams suggested further clarification on the sections TPM4 and TPM5 on Part 1 and on the sections for approved methodology for changing counterparty limits and money laundering in Part 2. The Finance Manager agreed to liaise with Mr. Williams following the meeting to agree the revised wording.

Councillor Glyn Banks asked if anything could be set up at this stage to take advantage of current interest rates. The Finance Manager explained that the borrowing requirements would need to be identified before entering into a deal and that the best approach would need to be considered. She added that Mr. Williams' suggestion at the training session would be discussed with the advisors.

In response to a question from Councillor Ian Dunbar on the need for more detail on Lender Option Borrower Option (LOBOs), the Finance Manager provided explanation but said it was not advisable to reschedule those debts at this stage as the premium would not be cost-effective.

When asked about the contract with Arlingclose, the treasury management advisors, the Finance Manager explained that this had now expired and was currently being tendered.

RESOLVED:

- (a) That the draft Treasury Management Strategy 2016/17 and Policy Statement 2016-19 be recommended to Cabinet on 16/02/16;
- (b) That the draft Treasury Management Practices and Schedules 2016-19 be recommended to Cabinet on 16/02/16, with the inclusion of the suggested changes;
- (c) That the draft Treasury Management Mid-Year Report 2015/16 be recommended to Cabinet on 16/02/16; and
- (d) That the Treasury Management 2015/16 quarterly update be noted.

45. VARIATION IN ORDER OF BUSINESS

Following discussion, a change in the order of business was agreed to bring forward the item on Statement of Accounts, due to time constraints. The remainder of the items would be considered in the order shown on the agenda.

46. STATEMENT OF ACCOUNTS 2014/15

The Finance Manager introduced the addendum to the Wales Audit Office (WAO) Audit of Financial Statements which had been considered in September 2015 as part of the Statement of Accounts. The addendum report set out the recommendations of the WAO and was accompanied by the Council's action plan on how these issues would be addressed. Good progress had been made in implementing the action plan, as shared with the Chair and Vice-Chair, and the remaining work would be closely monitored. Attention was also drawn to the WAO Annual Audit Letter summarising the key messages from the Auditor General for Wales' statutory responsibilities.

Mr. John Herniman reported that all recommendations had been accepted and were being progressed and that no significant issues were highlighted in the Annual Audit Letter which summarised areas raised during work on the accounts. The report on grant claims was in the process of being compiled and would be brought to the Committee in due course.

The Chief Executive referred to his involvement in the establishment of a working group to monitor progress on the action plan and commented on the excellent relationship between the Council and WAO.

Mr. Paul Williams thanked the officer team for their work and welcomed the progress made so far.

Councillor Arnold Woolley welcomed the report but highlighted reference to errors arising from a change in preparing the Consolidated Income and Expenditure Statement (CIES) on page 2 of the Audit Letter. The Chief Executive clarified that all three issues listed had been addressed, partly as set out in the Payroll update, as well as changes to the accounting process with the Chief Officer team which had proved successful.

When asked by Councillor Alison Halford for her view on the level of resources, the Finance Manager said that she was satisfied with the resources in place to implement the actions. In addition, there was a mechanism through the working group to flag up issues at an earlier stage to prevent delays in producing the accounts within the statutory deadline. The Finance Manager also highlighted the vacant post of Technical Accountant as a contributing factor to some of the issues and introduced Tom Williamson who had been appointed in this role.

RESOLVED:

That the following documents be noted:

- WAO Audit of Financial Statements Report Addendum - Recommendations
- Council's Action Plan
- WAO Annual Audit Letter
- WAO Annual Audit Letter

47. CORPORATE GOVERNANCE REPORT

The Internal Audit Manager presented the report detailing proposed changes to the Code of Corporate Governance, as set out in paragraph 1.04 of the report, prior to consideration by the Constitution Committee. The draft had been prepared following work by the Corporate Governance Working Group and consultation with the necessary senior officers. The report also sought endorsement on the process for preparing the Annual Governance Statement (AGS) for 2015/16.

Councillor Arnold Woolley highlighted the importance of reviewing job descriptions for all senior officers to ensure all employees were aware of their responsibilities. The Chief Executive confirmed that this was the case and that one of the outcomes of Single Status was to better evaluate each job up to the most senior levels, with new job descriptions as a consequence of the restructure.

In response to a comment from Mr. Paul Williams on the resilient approach to business continuity, the Chief Executive confirmed that a review was underway following the recent bomb scare at County Hall.

RESOLVED:

- (a) That the updated Code of Corporate Governance be agreed; and
- (b) That the process for the preparation of the Annual Governance Statement be endorsed.

48. EXTERNAL REGULATORS AND INSPECTIONS REPORTS

The Internal Audit Manager presented the Committee with a summary of reports by external auditors, other regulators and inspectors, pursuant to guidance under Section 85 of the Local Government (Wales) Measure. This was to provide assurance on the overall framework of assessment in place to monitor and respond to the recommendations.

The Chief Executive referred to the recent County Council presentation on the consultation on the draft Local Government (Wales) Bill which included provision for the roles of Overview & Scrutiny Committees. He reminded Members that the Council had previously adopted a protocol for regulatory reports involving seeking a response from Cabinet and assurance from the Audit Committee.

Following a question from Councillor Alison Halford on an issue with grant claims previously reported, Mr. John Herniman confirmed that the audit of grant claims had recently been completed by Wales Audit Office.

RESOLVED:

That the process for dealing with reports by external auditors, other regulators and inspectors during 2014 be noted.

49. ACTION TRACKING

The Committee received an update report on actions carried out to date from points raised at previous meeting of the Committee.

RESOLVED:

That the report be accepted.

50. FORWARD WORK PROGRAMME

The Committee received the report on the Forward Work Programme for the next year. No other changes were suggested apart from the update report on consultants for July 2016, as discussed earlier in the meeting.

RESOLVED:

That the Forward Work Programme be accepted, with the inclusion of the update report on consultants for the meeting on 13 July 2016.

51. INTERNAL AUDIT PROGRESS REPORT

The Committee received the update report on progress of the Internal Audit department and agreed that the item be deferred due to time constraints.

RESOLVED:

That the item be deferred.

52. ATTENDANCE BY MEMBERS OF THE PRESS AND PUBLIC

There were two members of the press in attendance.

The meeting commenced at 10.05am and finished at 1.20pm

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Chairman



AUDIT COMMITTEE

Date of Meeting	Wednesday 16 th March 2016
Report Subject	Treasury Management Update 2015/16
Report Author	Corporate Finance Manager

EXECUTIVE SUMMARY

The report provides an update on matters relating to the Council's Treasury Management Policy, Strategy and Practices 2015/16 to the end of February 2016.

RECOMMENDATIONS

1	Members note the Treasury Management 2015/16 quarterly update.
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REPORT DETAILS

1.00	EXPLAINING THE QUARTERLY UPDATE
1.01	The Council has nominated the Audit Committee to be responsible for ensuring effective scrutiny of Treasury Management Strategy and Policies. The Audit Committee has previously agreed to include Treasury Management as a standing item on each quarterly agenda to receive an update.
1.02	On 1 st March 2013, the Council approved the Treasury Management Policy Statement 2013-2016 and Treasury Management Practices 2013-2016, following the recommendation of the Cabinet and consideration by the Audit Committee.
1.03	On 17 th February 2015 the Council approved the Treasury Management Strategy 2015/16, following the recommendation of the Cabinet and consideration by the Audit Committee.

1.04	A statement setting out the Council's investments as at 29 th February 2016 is attached at Appendix 1. The investment balance at this time was £40.5m, spread across 20 counterparties and the average investment rate was 0.57%.
1.05	There have been no changes to the Council's long term borrowing during the quarter. A schedule of outstanding loans as at 29 th February is attached as Appendix 2, with total long-term borrowing remaining at £251.3m with a weighted average interest rate of 5.02%.
1.06	<u>Economic update</u> The global economy is facing a period of slower growth. China is importing less. Developing countries where extraction of raw materials is the primary industry are being impacted by lower global demand. More recently growth in the US has shown signs of slowing. As a result of the outlook for global growth being weak, share prices have fallen in the early part of 2016.
1.07	CPI inflation is currently very low at 0.3% (January 2016) due to oil and food prices. The anticipation is that the rate will remain below 1% for the duration of 2016 and start to rise toward the target of 2% either in 2017 or 2018.
1.08	Wage growth has also slowed with annual average earnings falling to 2% in the last quarter of 2015. Low inflation is likely to influence future wage settlements, with the projection for 2016 being lower than 2015.
1.09	UK economic growth was resilient in 2015 at 2.2%, albeit lower than 2014. Growth is reliant on consumer spending on the back of real wage and disposable income growth. Household spending is seen as the key determinant of growth in 2016, as growth in the manufacturing, services and construction industries all remain weak.
1.10	Arlingclose Ltd, the Council's treasury management advisors have pushed back their projection for the first rise in interest rates to the second quarter of 2018, from the third quarter of 2017. Stating the lack of inflationary pressures in 2016 and a lower growth profile than expected as the reasons.
1.11	The impact for the Council will be a lower return on investments and slightly lower than forecast cost associated with new borrowing. The figures are currently being worked through and will be reported in the revenue budget monitoring report.
1.12	The EU referendum in June and the uncertainty that it brings is already having an impact on the value of sterling and on financial markets. There is concern that there could be an impact on the wider economy, with reduced business investment and consumer confidence leading to a loss in economic momentum.
1.13	<u>Counterparty update</u> Following recent advice from Arlingclose Ltd the Council has suspended a bank from its counterparty list. The credit rating of the bank has been on review for downgrade by the credit rating agencies. It has very recently been downgraded, however its rating remains above the Council's threshold for investments. Arlingclose are taking a very cautious approach having

	considered the creditworthiness from other market data available including Credit Default Swaps, recently published preliminary results for financial year end 31 st December 2015 and the revised risk from bail-in in the unlikely event of failure.
1.14	The Council has an investment of £1m with the bank which is due to mature on 10th June 2016. Having considered all of the risks the advice from Arlingclose Ltd is not to make any new investments with the affected counterparty, however not to break or sell any existing investments.

2.00	RESOURCE IMPLICATIONS
2.01	Financial implications set out in the report; no other resource implications directly as a result of this report.

3.00	CONSULTATIONS REQUIRED / CARRIED OUT
3.01	Arlingclose Ltd, being the Council's treasury management advisors.

4.00	RISK MANAGEMENT
4.01	Risk Management directly addressed within the report.

5.00	APPENDICES
5.01	<ol style="list-style-type: none"> 1. Investment Portfolio as at 29th February 2016 2. Borrowing Portfolio as at 29th February 2016

6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
6.01	Contact Officer: Liz Thomas – Technical Finance Manager Telephone: 01352 702289 E-mail: liz.thomas@flintshire.gov.uk

7.00	GLOSSARY OF TERMS
7.01	<p>Bank Rate: The official interest rate set by the Bank of England's Monetary Policy Committee and what is generally termed at the "base rate".</p> <p>Basis Point: A unit of measure used in finance to describe the percentage change in the value or rate of a financial instrument. One basis point is equivalent to 0.01% (1/100th of a percent). In most cases, it refers to changes in interest rates and bond yields. For example, if interest rates rise by 25 basis points, it means that rates have risen by 0.25% percentage points.</p>

Bond: A certificate of debt issued by a company, government, or other institution. The bond holder receives interest at a rate stated at the time of issue of the bond. The price of a bond may vary during its life.

Capital Expenditure: Expenditure on the acquisition, creation or enhancement of capital assets.

Capital Financing Requirement (CFR): The Council's underlying need to borrow for capital purposes representing the cumulative capital expenditure of the local authority that has not been financed.

Credit Default Swaps: Similar to an insurance policy against a credit default.

Certificates of Deposits (CD's): A savings certificate entitling the bearer to receive interest. A CD bears a maturity date, a specified fixed interest rate and can be issued in any denomination. CDs are generally issued by commercial banks. The term of a CD generally ranges from one month to five years.

Cost of Carry: The "cost of carry" is the difference between what is paid to borrow compared to the interest which could be earned. For example, if one takes out borrowing at 5% and invests the money at 1.5%, there is a cost of carry of 3.5%.

Consumer Price Index (CPI): The UK's main measure of inflation (along with Retail Price Index or 'RPI') The Monetary Policy Committee of the Bank of England set the Bank Rate in order to try and keep CPI at or close to the target set by the Government. The calculation of CPI includes many items of normal household expenditure but excludes some items such as mortgage interest payments and Council Tax.

Credit Rating: Formal opinion by a registered rating agency of a counterparty's future ability to meet its financial liabilities; these are opinions only and not guarantees.

Corporate Bonds: Corporate bonds are bonds issued by companies. The term is often used to cover all bonds other than those issued by governments in their own currencies and includes issues by companies, supranational organisations and government agencies.

Counterparty List: List of approved financial institutions with which the Council can place investments.

Debt Management Office (DMO): The DMO is an Executive Agency of Her Majesty's Treasury and provides direct access for local authorities into a government deposit facility known as the Debt Management Account Deposit Facility (DMADF). All deposits are guaranteed by HM Government and therefore have the equivalent of a sovereign credit rating.

Federal Reserve: The US central bank, the equivalent of the Bank of England. (Often referred to as "the Fed").

Financial Instruments: Financial instruments are tradable assets of any kind. They can be cash, evidence of an ownership interest in an entity, or a contractual right to receive or deliver cash or another financial instrument

Gilts: Gilts are bonds issued by the UK Government. They take their name from 'gilt-edged'. They are deemed to be very secure as the investor expects to receive the full face value of the bond to be repaid on maturity.

LIBID: The London Interbank Bid Rate (LIBID) is the rate bid by banks on Eurocurrency deposits (i.e. the rate at which a bank is willing to borrow from other banks).

LIBOR: The London Interbank Offered Rate (LIBOR) is the rate of interest that banks charge to lend money to each other. The British Bankers' Association (BBA) work with a small group of large banks to set the LIBOR rate each day. The wholesale markets allow banks who need money to borrow from those with surplus amounts. The banks with surplus amounts of money are keen to lend so that they can generate interest which it would not otherwise receive.

LOBO: Stands for Lender Option Borrower Option. The underlying loan facility is typically very long-term - for example 40 to 60 years - and the interest rate is fixed. However, in the LOBO facility the lender has the option to call on the facilities at pre-determined future dates. On these call dates, the lender can propose or impose a new fixed rate for the remaining term of the facility and the borrower has the 'option' to either accept the new imposed fixed rate or repay the loan facility.

IFRS: International Financial Reporting Standards.

Maturity: The date when an investment or borrowing is repaid.

Maturity Structure / Profile: A table or graph showing the amount (or percentage) of debt or investments maturing over a time period.

Monetary Policy Committee (MPC): Government Body that sets the Bank Rate. Its primary target is to keep inflation within 1% of a central target of 2%. Its secondary target is to support the Government in maintaining high and stable levels of growth and employment.

Money Market Funds (MMF): Pooled funds which invest in a range of short term assets providing high credit quality and high liquidity.

Minimum Revenue Provision (MRP): An annual provision that the Council is statutorily required to set aside and charge to the Revenue Account for the repayment of debt associated with expenditure incurred on capital assets.

Non Specified Investment: Investments which fall outside the WG Guidance for Specified investments (below).

Operational Boundary: This linked directly to the Council's estimates of the CFR and estimates of other day to day cash flow requirements. This indicator is based on the same estimates as the Authorised Limit reflecting

the most likely prudent but not worst case scenario but without the additional headroom included within the Authorised Limit.

Premiums and Discounts: In the context of local authority borrowing,
(a) the premium is the penalty arising when a loan is redeemed prior to its maturity date and
(b) the discount is the gain arising when a loan is redeemed prior to its maturity date.

Prudential Code: Developed by CIPFA and introduced in April 2004 as a professional code of practice to support local authority capital investment planning within a clear, affordable, prudent and sustainable framework and in accordance with good professional practice.

Prudential Indicators: Indicators determined by the local authority to define its capital expenditure and asset management framework. They are designed to support and record local decision making in a manner that is publicly accountable; they are not intended to be comparative performance indicators

Public Works Loans Board (PWLB): The PWLB is a statutory body operating within the United Kingdom Debt Management Office, an Executive Agency of HM Treasury. The PWLB's function is to lend money from the National Loans Fund to local authorities and other prescribed bodies, and to collect the repayments.

Quantitative Easing (QE): In relation to the UK, it is the process used by the Bank of England to directly increase the quantity of money in the economy. It does not involve printing more banknotes. Instead, the Bank buys assets from private sector institutions – that could be insurance companies, pension funds, banks or non-financial firms – and credits the seller's bank account. So the seller has more money in their bank account, while their bank holds a corresponding claim against the Bank of England (known as reserves). The end result is more money out in the wider economy.

Revenue Expenditure: Expenditure to meet the continuing cost of delivery of services including salaries and wages, the purchase of materials and capital financing charges.

Retail Price Index (RPI): A monthly index demonstrating the movement in the cost of living as it tracks the prices of goods and services including mortgage interest and rent.

Term Deposits: Deposits of cash with terms attached relating to maturity and rate of return (Interest).

Specified Investments: Term used in the Welsh Assembly Guidance for Local Authority Investments. Investments that offer high security and high liquidity, in sterling and for no more than one year. UK government, local authorities and bodies that have a high credit rating.

Supported Borrowing: Borrowing for which the costs are supported by the government or third party.

Supranational Bonds: Instruments issued by supranational organisations created by governments through international treaties (often called multilateral development banks). The bonds carry an AAA rating in their own right. Examples of supranational organisations are the European Investment Bank, the International Bank for Reconstruction and Development.

Treasury Bills (T-Bills): Treasury Bills are short term Government debt instruments and, just like temporary loans used by local authorities, are a means to manage cash flow. They are issued by the Debt Management Office and are an eligible sovereign instrument, meaning that they have an AAA-rating.

Treasury Management Code: CIPFA's Code of Practice for Treasury Management in the Public Services, initially brought in 2003, subsequently updated in 2009 and 2011.

Treasury Management Practices (TMP): Treasury Management Practices set out the manner in which the Council will seek to achieve its policies and objectives and prescribe how it will manage and control these activities.

Temporary Borrowing: Borrowing to cover peaks and troughs of cash flow, not to fund capital spending.

Unsupported Borrowing: Borrowing which is self-financed by the local authority. This is also sometimes referred to as Prudential Borrowing.

Yield: The measure of the return on an investment instrument.

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FLINTSHIRE COUNTY COUNCIL - INVESTMENT PORTFOLIO

29th FEBRUARY 2016

APPENDIX 1

Counterparty Name	Amount Invested £m	Start Date	Maturity Date	t Rate	t Interest £	Investment	Period to Maturity
BANK OF SCOTLAND	2.0	01/10/15	30/09/16	1.05%	21,000	UK Bank	3 months +
BANK OF SCOTLAND	2.0						
BNP PARIBAS SECURITIES SVCS	2.3	04/11/15	31/03/16	0.52%	4,812	MMF	1 month or less
BNP PARIBAS SECURITIES SVCS	2.3						
COVENTRY BUILDING SOCIETY	2.0	01/12/15	27/05/16	0.60%	5,852	UK BS	1 - 3 months
COVENTRY BUILDING SOCIETY	2.0	06/01/16	31/03/16	0.44%	2,049	UK BS	1 month or less
COVENTRY BUILDING SOCIETY	4.0						
FURNESS BUILDING SOCIETY	1.0	09/03/15	09/03/16	1.00%	10,027	UK BS	1 month or less
FURNESS BUILDING SOCIETY	1.0						
GOLDMAN SACHS INTERNATIONAL	2.0	06/01/16	18/04/16	0.57%	3,217	UK Bank	1 - 3 months
GOLDMAN SACHS INTERNATIONAL	2.0						
HANDELSBANKEN	2.8	04/02/15	31/03/16	0.35%	11,304	Overseas	1 month or less
HANDELSBANKEN	2.8						
INSIGHT LIQUIDITY FUNDS LLP	3.7	01/04/15	31/03/16	0.51%	18,844	MMF	1 month or less
INSIGHT LIQUIDITY FUNDS LLP	3.7						
LANCASHIRE COUNTY COUNCIL	1.4	13/11/15	13/05/16	0.50%	3,490	Local Auth	1 - 3 months
LANCASHIRE COUNTY COUNCIL	1.4						
LANDESBANK HESSEN-THURINGEN	1.0	02/11/15	03/05/16	0.73%	3,660	Overseas	1 - 3 months
LANDESBANK HESSEN-THURINGEN	1.0						
LOUGHBOROUGH BUILDING SOCIETY	1.0	04/01/16	13/04/16	0.54%	1,479	UK BS	1 - 3 months
LOUGHBOROUGH BUILDING SOCIETY	1.0						
MORGAN STANLEY	1.3	01/04/15	31/03/16	0.47%	6,077	MMF	1 month or less
MORGAN STANLEY	1.3						
NATIONAL COUNTIES BUILDING SOCIETY	1.0	09/10/15	11/04/16	0.73%	3,700	UK BS	1 - 3 months
NATIONAL COUNTIES BUILDING SOCIETY	1.0						
NATIONWIDE BUILDING SOCIETY	2.0	06/01/16	18/04/16	0.51%	2,878	UK BS	1 - 3 months
NATIONWIDE BUILDING SOCIETY	2.0						
NORDEA BANK AB	2.0	08/12/15	08/06/16	0.67%	6,718	CD	3 months +
NORDEA BANK AB	2.0						
NORTHUMBRIA POLICE AUTHORITY	2.0	07/01/16	07/07/16	0.50%	4,986	Local Auth	3 months +
NORTHUMBRIA POLICE AUTHORITY	2.0						
OVERSEA-CHINESE BANKING CORPORATION	1.0	03/12/15	03/03/16	0.48%	1,197	Overseas	1 month or less
OVERSEA-CHINESE BANKING CORPORATION	1.0						
STANDARD CHARTERED	1.0	11/12/15	10/06/16	0.74%	3,690	CD	3 months +
STANDARD CHARTERED	1.0						
STANDARD LIFE INVESTMENT LIQUIDITY FUNDS	7.0	01/04/15	31/03/16	0.50%	35,039	MMF	1 month or less
STANDARD LIFE INVESTMENT LIQUIDITY FUNDS	7.0						
THURROCK BOROUGH COUNCIL	1.0	06/01/16	06/07/16	0.48%	2,393	Local Auth	3 months +
THURROCK BOROUGH COUNCIL	1.0						
TIPTON & COSELEY BUILDING SOCIETY	1.0	01/10/15	01/04/16	0.70%	3,510	UK BS	1 - 3 months
TIPTON & COSELEY BUILDING SOCIETY	1.0						
TOTAL	40.5			0.57%	155,923		
PREVIOUS REPORTS TOTALS (31st DEC 2015)	39.0			0.54%			

FLINTSHIRE COUNTY COUNCIL - INVESTMENTS SUMMARISED BY TYPE & MATURITY

29th FEBRUARY 2016

APPENDIX 1

Type of Investment	Total Amount Invested £m	% of Total Portfolio	Period to Investment Maturity			
			1 month or less £m	1 - 3 months £m	3 months + £m	12 months + £m
Debt Mangement Office (DMO)	0.0	0%				
UK Bank	4.0	10%		2	2	
UK Building Society (UK BS)	10.0	25%	3	7		
Overseas	4.8	12%	3.8	1		
Local Authorities	4.4	11%		1.4	3	
CD's	3.0	7%			3	
T-Bills	0.0	0%				
Money Market Funds (MMF)	14.3	35%	14.3			
Total (£)	40.5		21.1	11.4	8.0	0.0
Total (%)		100%	52%	28%	20%	0%

FLINTSHIRE COUNTY COUNCIL - LONG TERM BORROWING ANALYSIS

29th FEBRUARY 2016

APPENDIX 2

Loan Start Date	Principal Loan Outstanding £	Interest Rate %	Annual Interest £	Loan Maturity Date
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PWLB Fixed Rate Maturity Loans				
20/03/86	2,436,316	9.50	231,450	30/11/25
01/04/86	1,392,181	9.13	127,036	30/11/23
01/04/86	1,218,158	9.13	111,157	30/11/21
24/03/88	696,090	9.13	63,518	30/11/27
25/08/88	696,090	9.50	66,129	31/03/28
26/10/88	870,113	9.25	80,485	30/09/23
26/05/89	1,044,135	9.50	99,193	31/03/25
26/05/89	1,044,135	9.50	99,193	31/03/29
28/09/95	561,642	8.25	46,335	30/09/32
28/09/95	181,120	8.63	15,622	30/09/32
28/09/95	348,045	8.25	28,714	30/09/27
28/09/95	696,090	8.25	57,427	30/09/28
28/09/95	1,740,226	8.25	143,569	30/09/29
28/09/95	1,740,226	8.25	143,569	30/09/30
28/09/95	1,740,226	8.25	143,569	30/09/31
28/09/95	522,068	8.25	43,071	30/09/21
28/09/95	696,090	8.25	57,427	30/09/24
28/09/95	1,740,226	8.25	143,569	30/09/26
28/09/95	1,000,282	8.63	86,274	30/09/22
18/04/97	2,000,000	7.75	155,000	18/10/27
18/04/97	2,000,000	7.75	155,000	18/10/28
18/04/97	2,000,000	7.75	155,000	18/10/29
18/04/97	2,000,000	7.75	155,000	18/10/30
22/05/97	1,600,000	7.38	118,000	22/11/17
* 17/07/97	4,000,000	7.13	285,000	31/03/55
* 17/07/97	4,000,000	7.13	285,000	31/03/56
* 17/07/97	4,492,873	7.13	320,117	31/03/57
* 17/07/97	3,500,000	7.00	245,000	31/03/55
* 17/07/97	3,500,000	7.00	245,000	31/03/56
* 17/07/97	3,278,252	7.00	229,478	31/03/57
* 20/05/98	1,333,332	5.75	76,667	18/04/31
20/05/98	1,050,000	6.00	63,000	18/04/26
09/06/98	2,000,000	5.75	115,000	30/09/32
09/06/98	3,000,000	5.75	172,500	30/09/33
09/06/98	4,000,000	5.75	230,000	30/09/34
17/09/98	3,850,000	5.25	202,125	31/03/58
08/12/98	1,200,000	4.75	57,000	31/03/54
08/12/98	2,500,000	4.75	118,750	31/03/58
08/12/98	4,800,000	4.50	216,000	31/03/54
01/04/99	6,000,000	4.63	277,500	31/03/53
22/04/99	4,000,000	4.50	180,000	31/03/52
* 10/08/99	1,700,000	4.50	76,500	31/03/53
* 10/08/99	3,700,000	4.50	166,500	31/03/52
* 10/08/99	7,700,000	4.50	346,500	31/03/51
* 10/08/99	7,700,000	4.50	346,500	31/03/50
* 10/08/99	7,700,000	4.50	346,500	31/03/49
* 10/08/99	7,700,000	4.50	346,500	31/03/48
* 05/04/01	2,500,000	4.75	118,750	31/03/25
15/11/01	1,400,000	4.50	63,000	31/03/23
15/11/01	1,350,000	4.50	60,750	31/03/22
* 02/08/05	1,700,000	4.45	75,650	18/04/31
* 02/08/05	4,900,000	4.45	218,050	18/04/32
* 02/08/05	4,600,000	4.45	204,700	18/04/33
* 02/08/05	1,800,000	4.45	80,100	18/04/34
* 02/08/05	2,244,611	4.45	99,885	18/04/35
02/04/15	10,800,000	4.11	443,880	02/10/34
02/04/15	9,000,000	4.13	371,700	02/04/35
02/04/15	9,000,000	4.14	372,600	02/10/35
02/04/15	9,000,000	4.16	374,400	02/04/36
02/04/15	8,000,000	4.17	333,600	02/10/36
02/04/15	7,000,000	4.18	292,600	02/04/37
02/04/15	7,000,000	4.19	293,300	02/10/37
02/04/15	7,000,000	4.20	294,000	02/04/38
02/04/15	7,000,000	4.21	294,700	02/10/38
02/04/15	5,448,094	4.22	229,910	02/04/39
Total	222,410,621	5.26	11,694,018	

Market Fixed Rate Loans (LOBOS)				
* 24/07/07	6,350,000	4.48	284,480	24/01/40
* 24/07/07	6,300,000	4.53	285,075	24/01/41
* 24/07/07	6,300,000	4.58	288,540	24/01/42
Total	18,950,000	4.53	858,095	

PWLB Variable Rate Maturity Loans				
* 05/05/10	10,000,000	0.60	60,000	05/05/20
	10,000,000	0.60	60,000	

Totals				
Fixed Rate	241,360,621		12,552,113	
Variable Rate	10,000,000		60,000	
Grand Total	251,360,621	5.02	12,612,113	

* New loan due to debt restructuring
 HRAS Buyout Loans

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AUDIT COMMITTEE

Date of Meeting	Wednesday 16 th March 2016
Report Subject	Wales Audit Office (WAO) Audit Plan 2016
Report Author	Chief Executive and Corporate Finance Manager

EXECUTIVE SUMMARY

External auditors are required to carry out an audit to discharge their statutory duties as Auditor General and fulfil their obligations under the Public Audit (Wales) Act 2004, the Local Government (Wales) Measure 2009 and the Local Government Act 1999, and the Code of Audit Practice.

The Wales Audit Office, being the Council's external auditor, has prepared an audit plan for 2016 for the Council and the Clwyd Pension Fund (attached at Appendix 1 and 2 to this report) which sets out their proposed audit work for the year along with timescales, costs and the audit teams responsible for carrying out the work.

RECOMMENDATIONS

1	Members note the WAO reports
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REPORT DETAILS

1.00	EXPLAINING THE WAO AUDIT PLAN
1.01	The 2016 Audit Plan for Flintshire County Council is attached at Appendix 1, and Clwyd Pension Fund at Appendix 2.
1.02	The Audit Plan for Flintshire County Council is a combined plan covering; <ul style="list-style-type: none"> • Financial audit of the 2015/16 Statement of Accounts • Certification of 2015/16 grant claims and returns

	<ul style="list-style-type: none"> • Other audit work relating to North Wales Residual Waste Joint Committee • Performance audit including annual improvement assessment
1.03	The draft financial statements will be reported to the Audit Committee in July 2016. A programme is being agreed with the Wales Audit Office for the financial audit of the draft accounts which will commence in July. The final audited accounts for Flintshire and the Clwyd Pension Fund will be considered by the Audit Committee for recommendation to Council before the deadline of 30th September 2016.
1.04	The improvement assessment work, combined with work on financial matters, also discharges the Auditors responsibility to satisfy that the audited body has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.
1.05	WAO will issue their report summarising their work on certification of grants and returns 2014/15 in April 2016 which will be reported to the July Audit Committee.
1.06	Work to confirm the programme of performance audit work in 2016/17 continues for reasons outlined within the WAO report.

2.00	RESOURCE IMPLICATIONS
2.01	Proposed fees charged for the audit work for Flintshire County Council has been included in the WAO report at exhibit 5. Proposed fees charged for the audit work for Clwyd Pension Fund has been included in the WAO report at exhibit 3.

3.00	CONSULTATIONS REQUIRED / CARRIED OUT
3.01	None required.

4.00	RISK MANAGEMENT
4.01	All audit work is carried out on a risk based approach which is covered in detail within the WAO's reports.

5.00	APPENDICES
5.01	Appendix 1 - WAO 2016 Audit Plan Flintshire County Council Appendix 2 – WAO 2016 Audit Plan Clwyd Pension Fund

6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
6.01	<p>Contact Officer: Liz Thomas – Technical Finance Manager Telephone: 01352 702289 E-mail: liz.thomas@flintshire.gov.uk</p>

7.00	GLOSSARY OF TERMS
	<p>Financial Audit: The annual external audit of the Council’s Statement of Accounts.</p> <p>Financial Year: the period of 12 months commencing on 1 April</p> <p>Material: A concept used to inform judgements regarding the accuracy of the Council’s Statement of Accounts. The basis could be quantitative with an assigned value or qualitative and affected by issues that are legal, regulatory, or politically sensitive.</p> <p>Statement of Accounts / Final Accounts / Financial Accounts or Statements: The Council’s annual finance report providing details of the Council’s financial performance and position at the end of the financial year. The format is prescribed to enable external comparison with other public and private entities.</p> <p>Wales Audit Office: works to support the Auditor General as the public sector watchdog for Wales. They aim to ensure that the people of Wales know whether public money is being managed wisely and that public bodies in Wales understand how to improve outcomes.</p>

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2016 Audit Plan

Flintshire County Council

Audit year: 2015-16

Issued: March 2016

Document reference: 201A2016

Status of document

This document has been prepared for the internal use of Flintshire County Council as part of work performed/to be performed in accordance with statutory functions.

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Contents

2016 Audit Plan

Summary	4
Financial audit	4
Certification of grant claims and returns	7
Other work undertaken	8
Performance audit	8
Fee, audit team and timetable	9
Future developments to my audit work	12

Appendices

Respective responsibilities	13
Performance work in last year's audit outline still in progress	15
National value-for-money studies	16

2016 Audit Plan

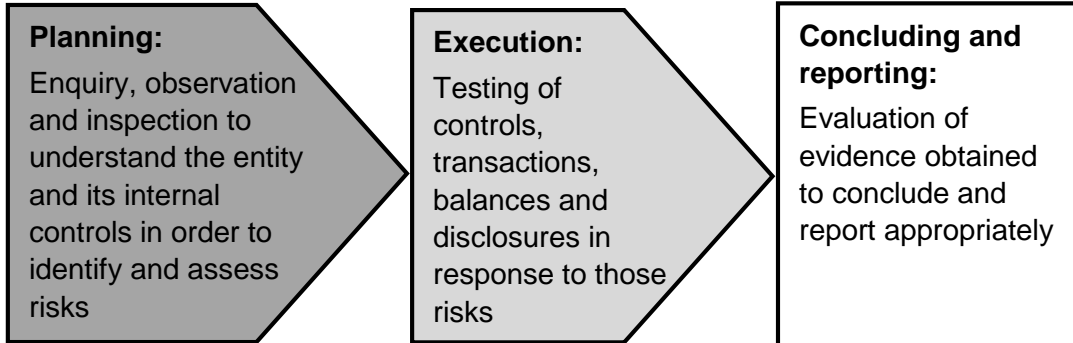
Summary

1. As your external auditor, my objective is to carry out an audit which discharges my statutory duties as Auditor General and fulfils my obligations under the Public Audit (Wales) Act 2004, the Local Government (Wales) Measure 2009 (the Measure), the Local Government Act 1999, and the Code of Audit Practice, namely to:
 - examine and certify whether your financial statements are ‘true and fair’;
 - assess whether you have made proper arrangements for securing economy, efficiency and effectiveness in the use of resources;
 - audit and assess whether you have discharged duties and met requirements of the Measure; and
 - undertake studies to enable me to make recommendations for improving economy, efficiency and effectiveness or for improving financial or other management arrangements.
2. The purpose of this plan is to set out my proposed work, when it will be undertaken, how much it will cost and who will undertake it.
3. There have been no limitations imposed on me in planning the scope of this audit.
4. My responsibilities, along with those of management and those charged with governance, are set out in [Appendix 1](#).

Financial audit

5. It is my responsibility to issue a certificate and report on the financial statements which includes an opinion on their ‘truth and fairness’.
6. I also consider whether or not Flintshire County Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources and report by exception if the Annual Governance Statement does not comply with requirements.
7. [Appendix 1](#) sets out my responsibilities in full.
8. The audit work I undertake to fulfil my responsibilities responds to my assessment of risks. This understanding allows me to develop an audit approach which focuses on addressing specific risks whilst providing assurance for the financial statements as a whole. My audit approach consists of three phases as set out in [Exhibit 1](#).

Exhibit 1: My audit approach



9. The risks of material misstatement which I consider to be significant and which therefore require special audit consideration, are set out in **Exhibit 2**, along with the work I intend to undertake to address them.

Exhibit 2: Financial audit risks

Financial audit risk	Proposed audit response
The risk of management override of controls is present in all entities. Due to the unpredictable way in which such override could occur, it is viewed as a significant risk [ISA 240.31-33].	We will: <ul style="list-style-type: none"> test the appropriateness of journal entries and other adjustments made in preparing the financial statements; review accounting estimates for biases; and evaluate the rationale for any significant transactions outside the normal course of business.
The level of income received by the Council means that there is an inherent risk of material misstatement due to fraud in revenue recognition and as such is treated as a significant risk [ISA 240.26-27].	We will review the design and test the operation of controls in the systems relating to: <ul style="list-style-type: none"> treasury management; grant income; and other income sources.
Risk that the Council’s key financial systems and controls are not designed or operating effectively to prevent and detect material misstatements in the financial statements.	We will review the key controls to support the production of accurate accounts, including the main accounting system, closedown procedures and where necessary underlying systems. In particular, we will follow up the Council’s progress on the implementation of control weaknesses identified in payroll processing during 2015.
Risks related to preparation of the accounts: <ul style="list-style-type: none"> risk of material misstatement in the financial statements arising from error or 	We will: <ul style="list-style-type: none"> undertake a programme of audit testing to address risks identified as part of our

Financial audit risk	Proposed audit response
<p>omission of transactions, balances and disclosure; and</p> <ul style="list-style-type: none"> risk of material misstatement in the financial statements arising from the accounting for gross income and expenditure and allocation of internal costs. 	<p>planning work and review of the draft financial statements; and</p> <ul style="list-style-type: none"> consider the accounting treatment and disclosure of gross income and expenditure to ensure that issues identified previously have now been addressed.
<p>The preparation of the Statement of Accounts will involve the estimation of a number of account figures such as provisions for the Council's liabilities (eg pay claims, legal disputes).</p>	<p>We will review:</p> <ul style="list-style-type: none"> the annual assessment made by officers of the basis on which estimates are made and revised in line with the latest information; and documentation held to support estimates derived and judgements made, and refer to papers provided in support of them. <p>We will also ensure that appropriate accounting and disclosure requirements are included within the financial statements.</p>
<p>We have identified a number of disclosures as being material by nature. These include the disclosure of Related Parties and the Remuneration note.</p>	<p>We will design detailed testing to obtain the required assurance that disclosures identified as material by nature have not been misstated.</p>

10. I do not seek to obtain absolute assurance on the truth and fairness of the financial statements and related notes, but adopt a concept of materiality. My aim is to identify material misstatements, that is, those that might result in a reader of the accounts being misled. The levels at which I judge such misstatements to be material will be reported to the Audit Committee prior to completion of the audit.
11. For reporting purposes, I will treat any misstatements below a 'trivial' level (the lower of five per cent of materiality or £100,000) as not requiring consideration by those charged with governance and therefore I will not report them.
12. My fees are based on the following assumptions:
 - information provided to support the financial statements is timely, to the quality expected and has been subject to quality assurance review;
 - appropriate accommodation and facilities are provided to enable my audit team to deliver the audit in an efficient manner;
 - all appropriate officials will be available during the audit;
 - you have all the necessary controls and checks in place to enable the Responsible Financial Officer to provide all the assurances that I require in the Letter of Representation addressed to me; and
 - Internal Audit's planned programme of work is complete and management has responded to issues that may have affected the financial statements.
13. In addition to my responsibilities in respect of the audit of Flintshire County Council's statutory financial statements set out above, I am also required to certify a return to the

Welsh Government which provides information about Flintshire County Council to support preparation of Whole of Government Accounts.

Certification of grant claims and returns

14. I have been requested to undertake certification work on Flintshire County Council's grant claims and returns.
15. In 2014-15 my team audited 16 grant claims and returns. This work will be summarised in a separate report 'Certification of Grants and Returns 2014-15', which will be issued in April 2016.
16. In 2015-16 I expect to audit between 10 and 15 claims, a number of which are complex in nature, namely: the Housing Benefits and Council Tax Benefits claim; the Teachers' Pension Return and Communities First grant claims.
17. My estimated audit fee for this work is set out in **Exhibit 5**.

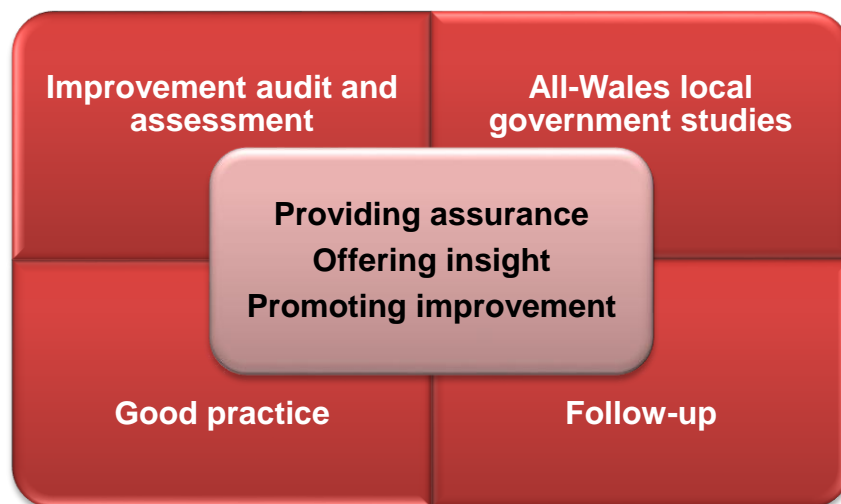
Other work undertaken

18. I am also responsible for the audit of the North Wales Residual Waste Joint Committee. There are no specific risks that I have identified in relation to the Joint Committee.
19. My audit fee for this work is set out in **Exhibit 5**.
20. In previous years we have also carried out audit work in relation to the Taith Joint Committee and the Welsh Church Fund. It is my understanding that the Joint Committee is no longer legally constituted and that the Welsh Church Fund activities have fallen below relevant thresholds determined by the Charities Commission. As a result, these audits are no longer required.

Performance audit

21. The components of my performance audit work are shown in **Exhibit 4** and have been designed in order to help deliver the high-level objectives set out in our 2013-2016 corporate strategy (www.audit.wales/publication/wales-audit-office-corporate-strategy-2013-2016).

Exhibit 4: Components of my performance audit work



22. Local government in Wales is going through an unprecedented period of change. Austerity continues to bite, audited bodies will be required to adopt the principle of sustainable development from April 2016, and the draft Local Government (Wales) Bill proposes fewer councils and a renewed performance framework. The Minister for Public Services has publicly stated that he would like to see a refreshed audit regime in advance of the legislative timetable with a view to supporting change. In January this year the Minister advised me of a substantial reduction in the grant that subsidises my local government performance audit work under the Measure.
23. However, for 2016-17 the Measure will still be in place, and I will still need to examine whether authorities will meet their duty to make arrangements for continuous improvement. The challenge for me in these uncertain times is to balance my existing, new and proposed statutory duties, with the need to continue to undertake meaningful, risk-based and proportionate audits and assessments.
24. In spring 2016 I will be engaging in a consultation with public service bodies on how I can best discharge my various duties, whilst striking the most appropriate balance and adding value by:
- providing assurance on the governance and stewardship of public money and assets;
 - offering insight on the extent to which resources are used wisely in meeting people's needs; and
 - identifying and promoting ways by which the provision of public services may be improved.
25. Taking all these factors into consideration, I am presently unable to be specific about my programme of performance audit work in local government. I am working through the practicalities of designing an appropriate programme of work, and examining the implications of the reduction in grant funding with a view to ensuring, as far as I am able, that there is little adverse impact on local authorities through fees.
26. As soon as practical, I will write to confirm my 2016-17 programme of work.

27. The performance audit projects included in last year's Audit Plan, which are either still underway or which have been substituted for alternative projects in agreement with you, are set out in [Appendix 2](#).

Fee, audit team and timetable

Fee

28. The Wales Audit Office does not generate profits on fees. Legislation requires that the fees charged may not exceed the full cost of exercising the function to which the fee relates. The fee rates are set at a level to recover that full cost. My fee rates have been held static for 2016 and my audit teams will continue to look for efficiencies in their audits and welcome working with you constructively on this.
29. Your estimated fee for 2016 is set out in [Exhibit 5](#).

Exhibit 5: Audit fee

Audit area	Proposed fee (£) ¹	Actual fee last year (£)
Financial audit work¹	216,336	231,336
Performance audit work:²		
• Improvement audit and assessment work and follow-up	104,058*	104,058
Total fee	320,394	335,394
Grant certification work⁴	£65,000 - £75,000	71,180
Other financial audit work³		
• North Wales Residual Waste Joint Committee	920	920
• Taith Joint Committee	-	3,290
Total fee for other audit work	920	4,210

* In light of paragraphs 22-26, this is an indicative fee.

Notes:

¹ Payable November 2015 to October 2016.

² Payable April 2016 to March 2017.

³ Payable as work is undertaken and subject to the level of testing required.

⁴ Payable as work is undertaken.

¹ The fees shown in this document are exclusive of VAT, which is no longer charged to you.

-
30. Planning will be ongoing, and changes to my programme of audit work and therefore my fee, may be required if any key new risks emerge. I shall make no changes without first discussing them with Flintshire County Council.
31. Further information on my fee scales and fee setting can be found on the Wales Audit Office website at: www.audit.wales/about-us/fee-scales-and-fee-setting.

Audit team

32. The main members of my team, together with their contact details, are summarised in [Exhibit 6](#).

Exhibit 6: My team

Name	Role	Contact number	E-mail address
John Herniman	Engagement Director and Engagement Lead – Financial Audit	029 20320566	John.herniman@audit.wales
Jane Holownia	Engagement Lead – Performance Audit	029 20320565	Jane.Holownia@audit.wales
Amanda Hughes	Financial Audit Manager	07969 919986	Amanda.hughes@audit.wales
Simon Monkhouse	Interim Financial Audit Team Leader	01352 702185	Simon.monkhouse@audit.wales
Jeremy Evans	Performance Audit Manager	07825 052861	Jeremy.evans@audit.wales
Paul Goodlad	Performance Audit Lead	07854 108620	Paul.goodlad@audit.wales

33. I can confirm that my team members are all independent of Flintshire County Council and your officers. In addition, I am not aware of any potential conflicts of interest that I need to bring to your attention.

Timetable

34. I will provide reports or other outputs, as agreed, to Flintshire County Council, covering the areas of work identified in this document. My key milestones are set out in [Exhibit 7](#).

Exhibit 7: Timetable

Planned output	Work undertaken	Report finalised *
2016 Audit Plan	December 2015 – February 2016	March 2016
Financial accounts work: <ul style="list-style-type: none">• Audit of Financial Statements Report• Opinion on Financial Statements• Financial Accounts Memorandum	February – September 2016	September 2016 September 2016 October 2016
Performance work: Programme will be finalised as soon as practicable: See paragraphs 22 to 26 above.	To be confirmed	To be confirmed
Annual Improvement Report	May to November 2016	March 2017
2017 Audit Plan	October – December 2017	February 2017

* Subject to timely clearance of draft findings with Flintshire County Council.

Future developments to my audit work

35. The Well-being of Future Generations (Wales) Act 2015 (the Act) requires me to have undertaken an examination in each of the public bodies specified within the Act and to have provided a report to the National Assembly, by 2020.
36. As referred to in [paragraph 25](#), I will be consulting on my proposed response to the Act in spring 2016. This consultation will feature a commitment to engage and work collaboratively with public bodies in developing an audit approach which is rigorous, meaningful and proportionate. I propose using 2016-17 as a transition year during which my teams work with a limited number of public bodies to develop and test my approach.
37. As we confirm our audit approaches and respond to continuing consultation from the Welsh Government, we will be talking to audited bodies about the implications for their fees from 2017-18 onwards and will be exploring alternative funding models with the next National Assembly's Finance Committee.

Appendix 1

Respective responsibilities

Financial audit

As amended by the Public Audit (Wales) Act 2013, the Public Audit (Wales) Act 2004 sets out my powers and duties to undertake your financial audit. It is my responsibility to issue a certificate and report on the financial statements which includes an opinion on:

- Their 'truth and fairness', providing assurance that they:
 - are free from material misstatement, whether caused by fraud or error;
 - comply with the statutory and other applicable requirements; and
 - comply with all relevant requirements for accounting presentation and disclosure.
- The consistency of information in the Annual Report with the financial statements.

I must also state by exception if the Annual Governance Statement does not comply with requirements, if proper accounting records have not been kept, if disclosures required for remuneration and other transactions have not been made or if I have not received all the information and explanations I require.

The Public Audit (Wales) Act 2004 requires me to assess whether Flintshire County Council has made proper arrangements for securing economy, efficiency and effectiveness in the use of resources. To achieve this, I consider:

- the results of the audit work undertaken on the financial statements;
- Flintshire County Council's system of internal control, as reported in the Annual Governance Statement and my report thereon;
- the results of other work carried out including work carried out under the Local Government (Wales) Measure 2009 (the Measure), certification of claims and returns, and data-matching exercises;
- the results of the work of other external review bodies where relevant to my responsibilities; and
- any other work that addresses matters not covered by the above, and which I consider necessary to discharge my responsibilities.

The Public Audit (Wales) Act 2004 sets out the rights of the public and electors to inspect Flintshire County Council's financial statements and related documents, to ask me, as the Appointed Auditor questions about the accounts and, where appropriate, to challenge items in the accounts. I must also consider whether in the public interest, I should make a report on any matter which comes to my notice in the course of the audit.

My audit work does not relieve management and those charged with governance of their responsibilities which include:

- the preparation of the financial statements and Annual Report in accordance with applicable accounting standards and guidance;
- the keeping of proper accounting records;
- ensuring the regularity of financial transactions; and

-
- securing value for money in the use of resources.

Management agrees to provide me with:

- access to all information of which management is aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
- additional information that I may request from management for the purpose of the audit; and
- unrestricted access to persons within Flintshire County Council from whom I determine it necessary to obtain audit evidence.

Management will need to provide me with written representations to confirm:

- that it has fulfilled its responsibilities for the preparation of the financial statements;
- that all transactions have been recorded and are reflected in the financial statements;
- the completeness of the information provided to me for the purposes of the audit; and
- to support other audit evidence relevant to the financial statements or specific assertions in the financial statements if I deem it necessary or if required by ISAs.

Performance audit

The Measure places a general duty on improvement authorities to 'make arrangements to secure continuous improvement in the exercise of [their] functions'. It also places specific requirements on authorities to set improvement objectives, and to publish annual improvement plans and assessments of performance. Improvement authorities are defined as county and county borough councils, national park authorities, and fire and rescue authorities.

The Measure also requires me to carry out an improvement assessment for each improvement authority every year, to determine whether the authority is likely to comply with its general duty and requirements of the Measure. The Auditor General must also carry out an audit of whether the authority has discharged its improvement planning and reporting duties.

The Auditor General may also in some circumstances carry out special inspections (under section 21), in respect of which he will provide a report to the relevant authorities and Ministers, and which he may publish (under section 22). The Auditor General will summarise audit and assessment reports in his published Annual Improvement Report (under section 24). This will also summarise any reports of special inspections.

Appendix 2

Performance work in last year's audit outline still in progress

Performance audit project	Status	Comment
Financial Resilience	Draft Report	Report will be issued during early March 2016
Corporate Assessment Follow Up Review	Fieldwork Completed Draft Findings shared with Council	Outcome of the review will be covered in forthcoming AIR
Annual Improvement Report (AIR)	Report drafting	Draft report to be issued March 2016
Effectiveness of the Council's approach to supporting Economy and Enterprise	Fieldwork in progress	Draft report to be issued Spring 2016

Appendix 3

National value-for-money studies

Flintshire County Council may also be interested in the national value-for-money examinations which I undertake, some of which will be of particular relevance to, and may involve evidence gathering across, local government. These studies are funded by the National Assembly. Reports are presented to the National Assembly's Public Accounts Committee to support its scrutiny of public expenditure and potentially support scrutiny by other National Assembly committees.

The table below covers all of the value-for-money studies work currently programmed. The programme includes all-Wales summaries of audit work undertaken locally in the NHS and reactive examinations into specific issues of public concern that have been raised with me. In addition to the work outlined below, I may decide during the year to prepare other national reports summarising local audit work or based on the findings of reactive examinations.

Further updates on my programme of value-for-money studies will be provided to you within the regular progress reports prepared by my team.

Topic	Anticipated publication timeframe
Welsh Government acquisition and ownership of Cardiff Airport	Late January 2016
The development of Natural Resources Wales	Early February 2016
Operating theatres	February 2016
Impact of private practice on NHS provision	February 2016
Wales Life Sciences Investment Fund	March 2016
Welsh Government responses to audit recommendations (memorandum for the Public Accounts Committee)	Spring 2016
Coastal flood and erosion risk management	Spring 2016
Rail services	Spring 2016
Governance of the National Library of Wales	Spring 2016
Welsh Government oversight of further education institutions' finances and delivery	Autumn 2016
Public procurement (including development of the National Procurement Service)	Winter 2016

Topic	Anticipated publication timeframe
Early intervention and behaviour change	Spring/summer 2017 ²
Welsh Government interventions in local government	TBC ³

I have been considering, over recent months, the inclusion in my programme of a number of new studies on:

- The NHS Wales Informatics Service;
- Capital investment in schools (21st Century schools programme) and school places;
- Further education finances;
- Waste management;
- The Supporting People programme; and
- Access to public services for people whose first language may not be English or Welsh and those who may be disadvantaged without access to specialist interpretation services.

With the exception of the further education study, referred to in the table above, firm plans for these new studies are yet to be confirmed, although initial scoping work is underway.

² My programme of good practice work includes a project that will aim to explore the range of behaviour change work across Welsh public services and opportunities to improve practice, deliver better outcomes for citizens, and achieve better value for money. The project will include a range of engagement events and the development of a community of practice to share learning and experience. I anticipate that the information and evidence gathered through this work will support the production of a report on this topic, although this is unlikely to be a traditional audit report and it would not be prepared until the first half of 2017.

³ Plans for this work have been under review in light of the Welsh Government commissioned review of the Anglesey intervention by the Public Policy Institute for Wales, and also to consider the implications for the work of plans for local government reform.

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2016 Audit Plan

Clwyd Pension Fund

Audit year: 2015-16

Issued: March 2016

Document reference: 184A2016

Status of document

This document has been prepared for the internal use of Clwyd Pension Fund as part of work performed/to be performed in accordance with statutory functions.

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This document was produced by John Herniman, Matthew Edwards and Simon Monkhouse.

Contents

2016 Audit Plan

Summary	4
Audit of Pension Fund accounts	4
Pension Fund annual report	7
Fee, audit team and timetable	7

Appendices

Respective responsibilities	9
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2016 Audit Plan

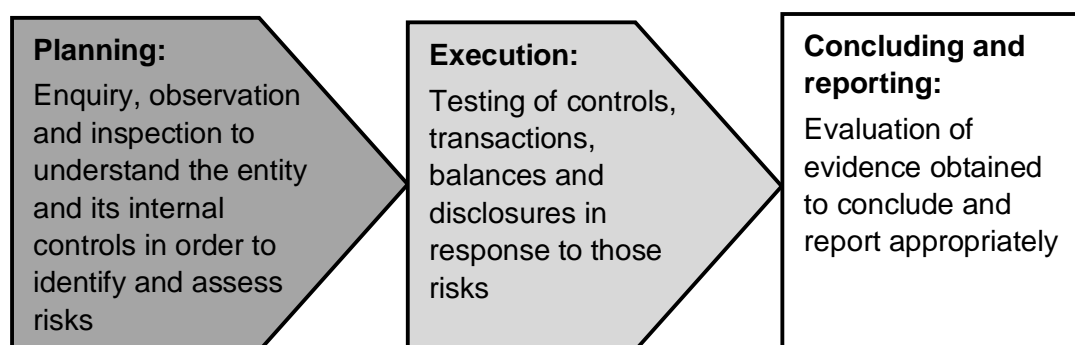
Summary

1. As your external auditor, my objective is to carry out an audit which discharges my statutory duties as Auditor General and fulfils my obligations under the Code of Audit Practice to examine and certify whether the Clwyd Pension Fund (the Pension Fund) accounting statements are 'true and fair'.
2. The purpose of this plan is to set out my proposed work, when it will be undertaken, how much it will cost and who will undertake it.
3. There have been no limitations imposed on me in planning the scope of this audit.
4. My responsibilities, along with those of management and those charged with governance, are set out in [Appendix 1](#).

Audit of Pension Fund accounts

5. It is my responsibility to issue a report on the accounting statements which includes an opinion on their 'truth and fairness'. This provides assurance that the accounts:
 - are free from material misstatement, whether caused by fraud or error;
 - comply with statutory and other applicable requirements; and
 - comply with all relevant requirements for accounting presentation and disclosure.[Appendix 1](#) sets out my responsibilities in full.
6. The audit work I undertake to fulfil my responsibilities responds to my assessment of risks. This understanding allows us to develop an audit approach which focuses on addressing specific risks whilst providing assurance for the Pension Fund accounts as a whole. My audit approach consists of three phases as set out in [Exhibit 1](#).

Exhibit 1: My audit approach



7. The risks of material misstatement which I consider to be the financial audit risks that require special audit consideration, are set out in **Exhibit 2** along with the work I intend to undertake to address them.

Exhibit 2: Financial audit risks

Financial audit risk	Proposed audit response
<p>The risk of management override of controls is present in all entities. Due to the unpredictable way in which such override could occur, it is viewed as a significant risk [ISA 240.31-33].</p>	<p>My audit team will:</p> <ul style="list-style-type: none"> • test the appropriateness of journal entries and other adjustments made in preparing the financial statements. • review accounting estimates for biases. • evaluate the rationale for any significant transactions outside the normal course of business.
<p>Risks relating to financial systems:</p> <ul style="list-style-type: none"> • Risk that the Pension Fund's high-level financial controls that are relevant to my audit are not designed or operating effectively to prevent and detect material misstatements in the financial statements. • In prior years we were aware that there were staffing shortages within the pension's administration section which led to delays in the processing of pensions administration tasks which may affect the transactions within the financial statements. 	<ul style="list-style-type: none"> • We will review the design and operation of the high-level financial controls relevant to my audit. • We will review the Council's closedown procedures and liaise with the Head of Pensions to consider whether previous capacity issues give rise to specific accounts risks.
<p>Risks related to preparation of the accounts:</p> <ul style="list-style-type: none"> • Risk of material misstatement in the financial statements arising from error or omission of transactions, balances and disclosures. 	<ul style="list-style-type: none"> • We will undertake a programme of audit testing to address risks identified as part of our planning work and review of the draft financial statements.

Financial audit risk	Proposed audit response
<p>Risks related to the financial statements:</p> <ul style="list-style-type: none"> • As part of its portfolio, the Pension Fund has substantial holdings in unquoted investments (£546.7 million in 2014-15). They are accounted for at fair value determined by valuations provided by fund managers. • External investment managers are appointed to manage the investment portfolio. Their own systems and records will generate account entries made to the Pension Fund account and net assets statement. 	<ul style="list-style-type: none"> • We will assess whether the information provided by fund managers and their auditors support the year-end valuation. • We will obtain direct confirmation from the fund managers of year-end investment balances and consider whether investment managers' internal control reports indicate specific risks to these balances.

8. I do not seek to obtain absolute assurance that the Pension Fund accounting statements are true and fair, but adopt a concept of materiality. My aim is to identify material misstatements, that is, those that might result in a reader of the accounts being misled. The levels at which I judge such misstatements to be material will be reported to the Audit Committee and to those charged with governance for Flintshire County Council (the Council), as the administering authority of the Pension Fund as a whole, prior to completion of the audit.
9. For reporting purposes, I will treat any misstatements below a 'trivial' level (the lower of five per cent of materiality or £100,000) as not requiring consideration by those charged with governance and therefore I will not report them.
10. My fees are based on the following assumptions:
 - information provided to support the financial statements is timely, to the quality expected and has been subject to quality assurance review;
 - all appropriate officials will be available during the audit;
 - you have all the necessary controls and checks in place to enable the Responsible Financial Officer to provide all the assurances that I require in the Letter of Representation addressed to me; and
 - Internal Audit's planned programme of work is complete and management has responded to issues that may have affected the financial statements.

Pension Fund annual report

11. In addition to including the pension fund accounts in their main accounting statements, administering authorities are required to publish a pension fund annual report which must include the pension fund accounts.
12. I am required to read the Pension Fund annual report and consider whether the information it contains is consistent with the audited Pension Fund accounts included in the Council's main accounting statements.
13. I also issue an audit statement confirming the consistency of the accounts included in the annual report with the audited Pension Fund accounts.

Fee, audit team and timetable

Fee

14. Your estimated fee for 2016 is set out in **Exhibit 3**.

Exhibit 3: Audit fee

Audit area	Proposed fee for 2016 (£) ¹	Actual fee for 2015 (£)
Audit of pension fund accounts	39,463	39,463

15. Planning will be ongoing, and changes to my programme of audit work and therefore my fee, may be required if any key new risks emerge. I shall make no changes without first discussing them with the Council.
16. Further information on my [fee scales and fee setting](#) can be found on the Wales Audit Office website at www.audit.wales/about-us/fee-scales-and-fee-setting.

¹ The fees shown in this document are exclusive of VAT, which is no longer charged to you.

Audit team

17. The main members of my team, together with their contact details, are summarised in Exhibit 4.

Exhibit 4: My team

Name	Role	Contact number	E-mail address
John Herniman	Engagement Lead – Financial Audit	02920 320566	john.herniman@audit.wales
Matthew Edwards	Financial Audit Manager	07837 385420	matthew.edwards@audit.wales
Simon Monkhouse	Interim Financial Audit Team Leader	01352 702185	simon.monkhouse@audit.wales

18. I can confirm that my team members are all independent of the Pension Fund and its officers. In addition, I am not aware of any potential conflicts of interest that I need to bring to your attention.

Timetable

19. I will provide reports, or other outputs as agreed, to the Pension Committee and to the Council, covering the areas of work identified in this document. My key milestones are set out in Exhibit 5.

Exhibit 5: Timetable

Planned output	Work undertaken	Report finalised
2016 Audit Plan	January to February 2016	March 2016
Financial accounts work: <ul style="list-style-type: none">Audit of Financial Statements ReportOpinion on Financial Statements	June to September 2016 September 2016	September 2016 September 2016
2017 Audit Plan	January to February 2017	March 2017

Appendix 1

Respective responsibilities

The Council is the administering authority of the Pension Fund. This Audit Plan has been prepared to meet the requirements of auditing standards and proper audit practices. It provides the Council with an outline of the financial audit work required for the Pension Fund accounts.

As amended by the Public Audit (Wales) Act 2013, the Public Audit (Wales) Act 2004 sets out my powers and duties to undertake your financial audit. It is my responsibility to issue a certificate and report on the Pension Fund accounting statements which includes an opinion on their 'truth and fairness', providing assurance that they:

- are free from material misstatement, whether caused by fraud or error;
- comply with the statutory and other applicable requirements; and
- comply with all relevant requirements for accounting presentation and disclosure.

My audit work does not relieve management and those charged with governance of their responsibilities which include:

- the preparation of the financial statements and Annual Report in accordance with applicable accounting standards and guidance;
- the keeping of proper accounting records;
- ensuring the regularity of financial transactions; and
- securing value for money in the use of resources.

Management agrees to provide me with:

- access to all information of which management is aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
- additional information that I may request from management for the purpose of the audit; and
- unrestricted access to persons within the authority from whom I determine it necessary to obtain audit evidence.

Management will need to provide me with written representations to confirm:

- that it has fulfilled its responsibilities for the preparation of the financial statements;
- that all transactions have been recorded and are reflected in the financial statements;
- the completeness of the information provided to me for the purposes of the audit; and
- to support other audit evidence relevant to the financial statements or specific assertions in the financial statements if I deem it necessary or if required by ISAs.

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AUDIT COMMITTEE

Date of Meeting	Wednesday, 16 March 2016
Report Subject	Internal Audit Strategic Plan
Cabinet Member	n/a
Report Author	Internal Audit Manager
Category	Strategic

EXECUTIVE SUMMARY

All principle local authorities subject to the Accounts and Audit (Wales) Regulations must maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control. It must make provision for internal audit in accordance with the Public Sector Internal Audit Standards (PSIAS) and the Local Government Application Note issued alongside it.

In line with the Standards internal audit must produce a risk based plan, taking into account the need to produce an annual audit opinion and linked to the organisation's objectives and priorities.

The three year Internal Audit Strategic Plan is attached, Appendix A. The first year of the plan is completed in greater detail, giving the number of audit days planned for each assignment. It will be updated on an ongoing basis and formally at the end of each year.

RECOMMENDATIONS

1	<p>The Committee is requested to consider the internal audit strategic plan and to make comments on its content. In doing so the committee is asked to consider</p> <ul style="list-style-type: none"> • Does the three year strategic plan for Internal Audit as set out in Appendix A reflect the areas that the Committee believe should be covered? • Does the first year of the plan reflect the areas that should be
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	<p>prioritised?</p> <ul style="list-style-type: none"> Is the level of audit resource accepted by the Committee and agreed as appropriate, given the level of assurance required?
2	The Committee is requested to approve the Internal Audit Strategic Plan.

REPORT DETAILS

1.00	EXPLAINING THE INTERNAL AUDIT STRATEGIC PLAN
1.01	Each year Internal Audit prepare a three year rolling audit plan, with the first year completed in more detail. The plan is designed to meet the professional standards required of us in order to review and evaluate the risk management, control and governance arrangements within the Authority.
1.02	The Council's Improvement Plan gives strategic risks, which are aligned to the Council's objectives. The Internal Audit plan which is attached is largely based on these objectives and risks, along with operational risks identified from Programme Boards and discussions with management.
1.03	The final plan was produced after consultation with Portfolio management teams, the Chief Executive and Chief Officer Team. WAO have also been contacted. It includes risk based and systems audits as well as advisory work arising from our involvement in development projects and value for money reviews.
1.04	The plan for 2016/17 has been formulated for the current level of resource. It includes contingencies for investigations and requests. However, it will need to remain flexible to react to changes as they occur during the year.

2.00	RESOURCE IMPLICATIONS
2.01	None from this report. The resources needed for the plan use the resources available.

3.00	CONSULTATIONS REQUIRED / CARRIED OUT
3.01	Consultation carried out with Portfolio management teams, the Chief Officer Team, the Chief Executive and Wales Audit Office.

4.00	RISK MANAGEMENT
4.01	Internal Audit is part of the governance framework and provides assurance on governance, risk management and internal control. The plan needs to provide the basis for that assurance over the coming years.

5.00	APPENDICES
5.01	Appendix A – Draft Internal Audit Strategic Plan.
6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
6.01	<p>Contact Officer: David Webster – Internal Audit Manager</p> <p>Telephone: 01352 702248</p> <p>E-mail: david.webster@flintshire.gov.uk</p>
7.00	GLOSSARY OF TERMS
7.01	<p>Improvement Plan: the document which sets out the annual priorities of the Council. It is a requirement of the Local Government (Wales) Measure 2009 to set Improvement Objectives and publish an Improvement Plan.</p> <p>Corporate Governance: the system by which local authorities direct and control their functions and relate to their communities. It is founded on the basic principles of openness and inclusivity, integrity and accountability together with the overarching concept of leadership. It is an inter-related system that brings together the underlying set of legislative requirements, governance principles and management processes.</p> <p>Alternative Delivery Models: operating models which are different from current or traditional methods of service delivery and which are responding to changed situations to sustain important services.</p> <p>Medium Term Financial Strategy: a written strategy which gives a forecast of the financial resources which will be available to a Council for a given period, and sets out plans for how best to deploy those resources to meet its priorities, duties and obligations.</p> <p>Wales Audit Office: works to support the Auditor General as the public sector watchdog for Wales. They aim to ensure that the people of Wales know whether public money is being managed wisely and that public bodies in Wales understand how to improve outcomes.</p> <p>IDEA: Audit sampling software that enables us to compare large amounts of data to identify matches or duplicates.</p> <p>CAMMS: an integrated planning, risk management and programme/project management and reporting system.</p> <p>Risk Management: the process of identifying risks, evaluating their potential consequences and managing them. The aim is to reduce the frequency of risk events occurring (wherever this is possible) and minimise the severity of their consequences if they occur. Threats are managed by a process of controlling, transferring or retaining the risk. Opportunities are managed by identifying strategies to maximise the opportunity or reward for the organisation.</p> <p>P2P: Purchase to Pay. An electronic system used within the Authority to manage purchasing.</p>

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Strategic Plan for Internal Audit

2016/17 – 2018/19

For presentation at the Audit Committee meeting of 16th March, 2016

Contents

	Section	Page
1	Introduction	1
2	Developing the Strategic Plan for Internal Audit	1
3	Audits covered within the plan	2
4	Resources	3
5	Considerations Required of the Audit Committee	4
6	Strategic Plan for Internal Audit 2016/17 – 2018/19	5

1 Introduction

1.1 Overall Approach

This strategic plan sets out the approach we have taken to develop the internal audit plan for 2016 / 2019.

1.2 The Purpose and Function of Internal Audit

Internal Auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

(Public Sector Internal Auditor Standards)

All principal local authorities subject to the Accounts and Audit (Wales) Regulations 2014 must maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control. It must make provision for internal audit in accordance with the Standards and the Local Government Application Note issued alongside it. Our professional responsibilities as internal auditors are set out within the Standards, published in 2013.

In line with these requirements, we perform our internal audit work with a view to reviewing and evaluating the risk management, control and governance arrangements that the organisation has in place, in particular to how those elements help Flintshire County Council achieve its objectives. The work is designed to enable the Internal Audit Manager to arrive at his year-end opinion on the adequacy and effectiveness of governance, risk management and the control environment. The annual Report provides evidence to support the Annual Governance Statement.

- 1.3 Within FCC the Internal Audit Charter defines the role, scope, independence, authority, and responsibility of the internal audit department. Audits will be delivered in accordance with that Charter. The team will also be developed during the year in accordance with the Charter and Service Plan. Development will be predominantly by the implementation of integrated audit software to increase the efficiency of the department.

2 Developing the Internal Audit Strategic Plan

- 2.1 To developing the Strategic Plan for 2016/19 and the detailed plan for 2016/17 the starting point is an understanding of the Council's objectives and risks. We have used a risk based approach and considered the following.

- The Improvement Plan, including the strategic objectives of the organisation and the risks associated with those objectives;
- Reports by management to Cabinet and Scrutiny Committees on the management of operational risks;
- Reports to Programme Boards on the management of risks;
- The introduction of the CAMMS system;

- Areas of concern or requests for coverage from management and the Audit Committee;
- The contents of the 'Audit Universe' and associated risk rating;
- Areas where it is necessary to provide ongoing assurance with regards to key financial systems;
- Other sources of assurance available to the organisation;
- Any recent significant changes within the organisation and its operations;
- Results of previous internal audit coverage; and
- The timing for each internal audit review to maximise the benefit of assurance provided.

We also met with management across the organisation to further understand the risk areas where internal audit assurance is appropriate.

As well as assignments designed to provide assurance or advisory input around specific risks, the strategic plan includes an audit management allocation, used at Audit Manager and Principal Auditor level for quality control, internal and external liaison and for preparation for and attendance at Audit Committee.

The detailed plan will be kept under review throughout the year and updated to react to local and national issues and risks as they arise. All changes will be reported to the Audit Committee.

The strategic plan will be revisited each year to confirm current priorities for internal audit coverage and to develop a detailed internal audit plan for the forthcoming year.

3 Audits covered within the plan

Outline scopes for each review are given in the attached table. The following types of audit work will be completed.

3.1 System based work

Predominantly of key financial systems to give assurance that they are operating effectively. Key control reviews will be carried out of all core financial systems with continuing close liaison with our external auditors to maximise audit efficiency.

3.2 Risk based work

This work is based on the strategic or operational risks. The audits examine the objectives of the area under consideration, the risks that may affect the achievement of those objectives and the adequacy and effectiveness of the controls around those risks.

3.3 Follow up audits

Specific follow up audits have been planned where there have been a number of recommendations made in previous reviews. There is also a contingency of 30 days to allocate to further follow up reviews as they become necessary.

3.4 Advisory work

Audit time to take part in specific projects or developments, as already requested/agreed with management. Again, there is a contingency of 40 days to cover requests or developments as they arise throughout the year.

3.5 Value for money

Value for money is considered as part of each audit review. In addition, there are a few specific reviews in the plan where that is the focus of the audit.

3.6 Schools

We will continue to use Control and Risk Self Assessment for all schools. This is designed to increase the level of assurance we can provide about the standards in schools, whilst at the same time minimising audit time in the schools by eliminating the need for traditional school audit visits.

We will continue to complete school based reviews on risks identified from the self assessment. A sample of schools will be visited to assess the identified risks.

3.7 Grant claims

As in previous years, time has been assigned to carry out reviews of grant claims.

3.8 Counter Fraud work

We will continue to conduct investigations in fraud and irregularity during the year. In addition we will continue to participate in the National Fraud Initiative. This matches data across organisations and systems to help identify potentially fraudulent or erroneous claims and transactions. The amount of time allocated, 200 days, is based on experience in previous years, but there is no guarantee that it is accurate. If further resource is needed it may impact on the plan. Conversely, if this amount is not required then it will be allocated to other specific audit tasks.

4 Resources

4.1 The audit plan will be delivered by the in-house team and the plan has been based on the current complement of the audit team. It may be necessary to use external resource to deliver some of the more technical ICT audits. Apart from that, no reliance will be placed on other sources of assurance.

4.2 The resources required to deliver the proposed plans are summarised in the table, which demonstrates that an annual allocation of around 1190 productive working days is required in 2016/17. This level of resource is capable of delivering the level of assurance required by the Council and is broadly in line with others across Wales.

4.3 Within the plan the level of audit risk has been identified. This is based on the last audit opinion, the length of time since the last audit, any new developments, the budget and reputational risk. This may not reflect the actual risk of the system or area being reviewed. Some areas are described as having a lower audit risk rating. These may be deferred or deleted during the year if necessary without affecting the overall objective of the plan – to complete sufficient work in order to be able to give the annual audit opinion on the adequacy and effectiveness of controls, corporate governance and risk management.

- 4.4 The plan will be kept under review during the year and updated according to emerging risks. Any changes will be reported to the Committee.
- 4.5 Projects planned for the second and third years of the plan are indicative and may change. Therefore the number of days for those projects has not been completed at this time. The days can be allocated in later planning cycles according to the current priorities.
- 4.6 The analysis shows the breakdown between the category of work undertaken within the portfolios.

5 Considerations Required of the Audit Committee

- Does the three year Strategic Plan for Internal Audit (as set out in the table) reflect the areas that the Audit Committee believe should be covered?
- Does the first year of the plan reflect the areas that should be prioritised?
- Is the level of audit resource accepted by the Committee and agreed as appropriate, given the level of assurance required?

6 Strategic Plan for Internal Audit 2016/17 – 2018/19

Audit	Audit Classification	Auditable Area	IA Risk Rating	2016/17 Days	2017/18	2018/ 19
<u>CORPORATE</u>						
Consultants	Risk Based	Follow up of report presented to January AC.		15		
Safeguarding (incl schools)	Risk Based	Overall review on the Council's approach to safeguarding.		20		
Clwyd Theatre Cymru	Risk Based	Clwyd Theatre Cymru now has a new Business Plan focusing on the achieving of commercial targets. Following the restructure within CTC this review could examine the financial management controls in place to support the realism and achievement of these targets.		10		
Income from Fees and Charges / Efficiency Savings	System Based	To review the outcomes of the Council's approach to increase income and achieve efficiency savings.			X	
Performance Indicators	Risk Based	To provide assurance that the reporting of performance is accurate.		10		X
Risk Management	Risk Based	To provide assurance to officers and members that the Authority has effective arrangements for risk management and business continuity management and that risks identified by the Authority are being effectively managed.		10	X	X
Corporate Governance	Risk Based	Continuing participation in the Corporate Governance Working Group and further work to provide assurance on overall corporate governance arrangements within the Council.		10	X	X
Compliance	Advisory	To review the Council's approach and appetite for compliance within the Authority. Possible joint working arrangement with WAO.		20		
Partnerships	Risk Based	Review the transition of the LSB to the PSB and the requirement for a Strategic Needs Assessment by April 2017.			X	
Total Planned Days – Corporate				95		

COMMUNITY & ENTERPRISE

Gas Servicing	Risk Based	The review will focus on ensuring compliance with legislation relating to gas servicing. The review will also include gas servicing carried out for the NEW homes scheme.		10		
Disabled Facilities Grant	System Based	This cross cutting review will look at the performance of the service in terms of the time taken to process the grants.		20		

Audit	Audit Classification	Auditable Area	IA Risk Rating	2016/17 Days	2017/18	2018/ 19
Mobile Working	Risk Based	Ensure controls are in place over the use of the new hand held devices.		15		
Tell Us Once	Risk Based	This cross cutting review will assess which services are using this facility for the notification of deaths and explore the potential to extend to other services.		10		
Flintshire Connects	VFM	The review will assess whether the service has it achieved its objectives, and if there is potential for other services to use this facility.		15		
Council Tax and NNDR	System Based	This audit will review the effectiveness of the in house Bailiff Service.		15	X	X
Housing Benefit	System Based	Key control review.			X	X
Travellers	Risk Based	The review will focus on ensuring all relative legislation is complied with.			X	
Blue Badges	System Based	A review is to be carried out of the Blue Badge scheme to ensure the requirements of the scheme are being complied with.			X	
Total Planned Days – Community & Enterprise				85		

Page

EDUCATION & YOUTH

Control and Risk Self-Assessment	Risk Based	This is the annual self-assessment of the schools control framework (to include governor training).		10	X	X
Budgetary Control	System Based	A review is to be carried out of the corporate arrangements in place to ensure schools are provided with all relevant information to enable them to manage their budgets.		20		
Education Improvement Grant	Risk Based	To assess the controls put in place by for this new grant, to include guidance given to schools on financial procedures.		20		
Risk based thematic reviews across all schools including central controls	Risk Based	To analyse the results of the control and risk self-assessment and focus Internal Audit resources on reviewing areas identified as high risk.		40	X	X
Youth Justice	System Based	Review the service arrangements of the team including funding arrangements following the new service model change within Education. (In last year's plan).		15		
School Funding Formula	Advisory	This review builds on work previously carried out in this area and will involve ensuring funding allocations have been processed correctly.		15		
Total Planned Days – Education & Youth				120		

Audit	Audit Classification	Auditable Area	IA Risk Rating	2016/17 Days	2017/18	2018/ 19
<u>GOVERNANCE</u>						
Network Security	Risk Based	Focus on risks presented by agile working and increased external access to the network. To also include penetration testing arrangements.		* See note		
Procurement	Risk Based	This review will cross cut across the Authority and will include compliance with contract procedure rules, contractor vetting and contract management, and the operation of e-procurement.		30		
Electronic Document Management	Risk Based	An assessment will be made of the use electronic document across the Authority and the potential to extend further.		10		
IT Security Policies	Systems Based	A review will be carried out to establish the coverage of existing policies, whether they are current and levels of compliance.		15		
Digitisation	VFM	This review will assess how services are currently delivered and the potential for further digitisation.		20		
Cloud computing	Risk Based	The review will consider the controls that will need to be in place for future use of Cloud Computing in the Authority.		5		
Data Protection	Advisory	Review data protection arrangements.		15		
Electronic court bundling	Risk Based	To ensure proper controls are in place for the use of electronic documents.			X	
Case Management	System Based	A new legal case management system is being introduced, the review will assess the controls in place over the use of the software.			X	
Total Planned Days - Governance				95		

<u>ORGANISATIONAL CHANGE 1</u>						
Alternative Delivery Models	VFM	To provide advice and guidance on controls during the transition stage of the introduction of the Alternative Delivery Models		30	X	
Japanese Youth Exchange	Regulatory	Audit of the annual final accounts		5	X	X
Total Planned Days – Organisational Change 1				35		

Audit	Audit Classification	Auditable Area	IA Risk Rating	2016/17 Days	2017/18	2018/19
<u>ORGANISATIONAL CHANGE 2</u>						
Industrial Units	Risk Based	To review the controls over the collection of rental income from the units		15		
Corporate Asset Strategy	Risk Based	Following the introduction of the new corporate asset strategy an assessment will be carried out of the effectiveness of the implementation of the strategy.		15		
Community Asset Transfers (CAT)	VFM	An assessment will be carried out of agreements in place with CAT organisations and the effectiveness of the outcomes such as community benefits.		15	X	
Total Planned Days – Organisational Change				45		

<u>PEOPLE & RESOURCES</u>						
E-Teach (Supply Staff) – Payroll and Recruitment	Advisory	To provide advice to the E-Teach working group.		5		
Single Status Governance – Additional Payments	Risk Based	Review the payment of additional payments to ensure compliance with the policy and procedures following Single Status and to ensure local agreements do not formulate.			X	
Payroll	System Based	System Based Audit to include any new legislative requirements.		20	X	X
Compulsory & Early Voluntary Redundancy	Risk Based	Review of the CR & EVR process including approval and IT system to ensure compliance. Consideration will also be given to succession planning and management and the transfer of processes and knowledge prior to a post being deleted.		15		
Use of Relief Workers	Risk Based	The review would examine how the Council manages its relief workers and consider the demands this has on the services, including an evaluation of the overall need for these workers and examine the rights they may be entitled to.			X	
Learning & Development	Risk Based	Review how the Council's training needs are being met, including internal/external provision (modular based / on-line). In particular examine spend on training and whether there are any opportunities for procurement efficiencies.			X	
Disclosure and Barring Service (DBS) Checks (Safeguarding)	Risk Based	Review the process in place and compliance with DBS and pre-employment checks.			X	

Audit	Audit Classification	Auditable Area	IA Risk Rating	2016/17 Days	2017/18	2018/ 19
Staff Recruitment	Risk Based	The audit will review the staff recruitment process by HR and Managers.			X	
Staff Induction	Risk Based	Examine the staff induction process delivered by Managers and Corporate Induction.			X	
Annual Leave	Risk Based	Review compliance with the Annual Leave policy following its implementation.			X	
Occupational Health	Risk Based	Examine the partnership agreement between FCC and WBC, including the generation of income.			X	
Attendance Management	Risk Based	Following the development of the attendance management process and a review of the Attendance Management policy, sickness returns, triggers, long-term absences, referrals to Occupational Health, return to work interviews, and use of management information will be examined.			X	
Single Status – Equal Pay Claims	Advisory	To provide support in the payment of the outstanding Equal Pay Claims.		5		
Appraisals	Risk Based	Review compliance with and effectiveness of the new competency based framework.			X	
Corporate Grants	Risk Based	Following the implementation of the new Corporate Grant system, examine the effectiveness of the system and compliance with the Corporate Grants Policy and procedures.		15		
Taxation	System Based	Review to ensure compliance with meeting legislative requirements.			X	
Treasury Management	System Based	Examine the Council's approach to Treasure Management, including compliance with the Treasury Management policy.			X	
Main Accounting – Accounts Payable (AP) / P2P	System Based	Annual review to examine the key controls of the AP and P2P systems.		20	X	X
Main Accounting – General Ledger (GL)	System Based	Annual review to examine the key control of the General Ledger system.		15	X	X
Main Accounting – Accounts Receivable (AR)	System Based	Annual review to examine the key controls of the AR System.			X	X
Collaborative Planning (CP)	Risk Based	Following the implementation of the CP Software, examine the effectiveness and usage of the system.		15		
Finance Modernisation Programme – AR	Advisory	To provide advice on the AR project which forms part of Council's Finance Modernisation Programme.		5		
Accounts Governance Group	Advisory	To provide advice to the Accounts Governance Group.		5		

Audit	Audit Classification	Auditable Area	IA Risk Rating	2016/17 Days	2017/18	2018/19
Total Planned Days – People & Resources				120		

PLANNING & ENVIRONMENT

Greenfield Valley Heritage Park	Risk Based	To examine the governance, funding and operating arrangements in place within the Park and assess whether efficient and effective systems are in place to manage the Park.		20		
Building Control	System Based	Examine compliance with Building Regulations, collection of fees and notification process with Council Tax.		20		
Planning Enforcement	System Based	Examine the prioritisation of planning enforcement within the Authority to ensure consistency.		20		
Community Safety Partnership	Risk Based	A review of the partnership arrangements.			X	
Rights of Way	Risk Based	Following the service review, examine the partnership arrangements in place, and the prioritisation of work and procurement of process.			X	
Climate Change & Flood Risk Management	System Based	Following the restructure, assess the effectiveness of procedures in place to monitor climate change and manage the risk of flooding within the Authority.			X	
Pollution Control	System Based	This review will examine how robust the Authority is in assessing and controlling pollution.			X	
Minerals and Waste	System Based	The service currently has an informal SLA in place with other Local Authorities. This review will examine to ensure fees and charges are appropriate to cover the cost of the service.				X
Total Planned Days – Planning & Environment				60		

SOCIAL SERVICES

Multi Agency SLA's Agreements with Combined Services with	Risk Based	Examine the SLA's in place between Flintshire, BCUHB and other agencies. This review will evaluate the governance, funding, performance management and reporting arrangements are in place to ensure the effective delivery of intended outcomes.		15		
Flying Start – Capital	Risk Based	Examine the capital spend within the Flying Start Scheme to ensure compliance with the conditional of the grant application.		10		

Audit	Audit Classification	Auditable Area	IA Risk Rating	2016/17 Days	2017/18	2018/ 19
PARIS finance module	Advisory	Advice & support during the roll out of the Finance Module within PARIS.		5		
Family Information Services	Risk Based	The review will examine the grant application process within the Service.		15		
Children Out of County Care and Education	Risk Based	A cross cutting review between Social Services and Education and Youth. This review will examine the joined up approach to commissioning and funding arrangements for the provision of Out of County Care and Education for Children.		20		
Care Leavers	Risk Based	Review of the transition process of Care Leavers' team to ensure better outcomes for these individuals are achieved and examine the process for the allocation of care leaver grants.		15		
Domiciliary Support / Home Care	System Based	This review will examine compliance with policies and procedures and how the service has adapted to the Social Services and Well Being (Wales) Act.			X	
Llys Eleanor	System Based	An establishment review of the policies, procedures and staffing arrangements in place at the home and to ensure a cost effective service is being delivered.			X	
Bed Mapping	Advisory	To provide advice in streamlining the Bed Mapping process for residential / nursing care.			X	
Ageing Well	Risk Based	The purpose of this audit will be to assess compliance with the Ageing Well Policy.				X
Total Planned Days – Social Services				80		

STREETSCENE & TRANSPORTATION

Enforcement	Risk Based	This review will examine the management of enforcement, ensuring the effectiveness of policies and procedures, collection of cash, back office support and the distribution of income. This review should include all enforcement within the Authority e.g. Civil Parking & Enforcement, Fly Typing, Littering, Dog Fouling and Abandoned Vehicles.		30		
Fleet Management	Risk Based	Examine the effectiveness and implementation of the fleet review and determine whether the efficiency savings have been realised. This audit will also consider how effective the Council is in fuel management.		20		
Alltami Stores	System Based	Following the move to the single depot store at Alltami, this review will examine the stock handling procedures in place including the movement and disposal of stock. All stock held at Alltami Depot, including the yard will form part of this review.		15		

Audit	Audit Classification	Auditable Area	IA Risk Rating	2016/17 Days	2017/18	2018/ 19
Fleet Management	Advisory	To provide advice to the Fleet Management project group.		5		
Integrated Transport	Advisory	To provide advice to the Integrated Transport Working group.		5		
Maintenance of the Public Realm	Risk Based	Examine the approach to planned maintenance of the Public Realm.		10		
Regional Transport	Risk Based	Provision allocated to review the new arrangements for Regional Transport and the administration of the Bus Subsidy grant.			X	
Winter Maintenance	System Based	Following on from our earlier work, examine whether robust arrangements are in place to effectively and efficiently manage winter maintenance.			X	
Trade Waste	Risk Based	This review will examine the arrangements in place for the management and provision of trade waste (Charities and internally) and review the invoicing and internal recharging and accounting arrangements in place.			X	
Bereavement Services	System Based	Examine the operational procedures and income generation across the Bereavement Service.			X	
Community Transport	Risk Based	This audit will examine the allocation and spend of the Community Transport grant.			X	
Highways 3 rd Party Claims	Risk Based	This review will be determine how effective the Council is in managing Highways 3 rd Party Claims and whether there has been an increase in the number of claims received following the reduction in funding for Highways Maintenance.			X	
Total Planned Days – Streetscene & Transportation				85		

<u>OTHER</u>						
Pensions Administration	System Based	New administration strategy including service standards with members and employers.		15	X	X
Pensions Investments	System Based	To assess the management of the funding strategy and compliance with regulations and procedures.		15		X
North West Residual Waste Partnership	Risk Based	Ongoing review of contract management under the second Inter Authority Agreement.		5	X	X
Total Planned Days - Other				35		

Audit	Audit Classification	Auditable Area	IA Risk Rating	2016/17 Days	2017/18	2018/19
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INVESTIGATIONS, PROVISIONS AND DEVELOPMENT

Provision for investigations and pro-active fraud				200		
Provision for ad-hoc requests from management				65		
Follow Up - Other				15		
Follow Up Communities First				10		
Follow Up School Funds				5		
Audit development				30		
EA				10		

				Total	335	
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				Overall Total	1190	
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Note: It may be necessary to bring in external resource to complete this technical ICT audit.

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AUDIT COMMITTEE

Date of Meeting	Wednesday, 16 March 2016
Report Subject	Audit Committee Self Assessment
Cabinet Member	n/a
Report Author	Internal Audit Manager
Category	Assurance

EXECUTIVE SUMMARY

The report shows the results of the Audit Committee self-assessment carried out in February 2016. This will feed into the preparation of the Annual Governance Statement 2015/16. It will also form the basis for the provision of any training or development required by the committee.

The results have been analysed and compared to the previous year. Members' comments have also been taken into account. The detail is given in Appendix A. Average scores for most of the questions are similar to last year, however there have been differences.

The average score for question 2, contributing to the development of an effective control environment, decreased from 4.2 to 3.5. Comments from Members in this section and throughout the questionnaire expressed concern over the lack of implementation of actions by officers.

The average score for question 7, value for money, increased from 3.3 to 3.9. This reflects the increased focus on this area after the low score last year, with several Internal Audit reports highlighting value for money issues.

RECOMMENDATIONS

1	That the committee considers the results and reaches a decision on any action required, further information needed, or development or training required, individually or collectively.
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REPORT DETAILS

1.00	EXPLAINING THE AUDIT COMMITTEE SELF ASSESSMENT AGAINST CIPFA GUIDANCE
1.01	The Chartered Institute of Public Finance and Accountancy (CIPFA) published 'Audit Committees – Practical Guidance for Local Authorities and Police' in December 2013, with the aim of providing CIPFA's view of best practice for Audit Committees and of supporting them in operating effectively. The guidance includes a self-assessment questionnaire on Evaluating the Effectiveness of the Audit Committee.
1.02	The Audit Committee itself is part of the governance framework of the Authority. It is therefore appropriate for the self-assessment questionnaire to be completed as part of the preparation for the Annual Governance Statement for 2015/16, which reports on overall governance within the Authority and will be published with the annual accounts.
2.00	RESOURCE IMPLICATIONS
2.01	None from the report itself. Resources may be needed to address any actions or development needs identified.
3.00	CONSULTATIONS REQUIRED / CARRIED OUT
3.01	Summary results compiled from questionnaires completed by all Audit Committee members.
4.00	RISK MANAGEMENT
4.01	The Audit Committee is part of the governance framework of the Authority. It therefore must function effectively to fulfil its role. This process allows the committee to assess how effective it is and take action to mitigate any deficiencies.
5.00	APPENDICES
5.01	Appendix A – Summary of responses to the self-assessment questionnaire
6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
6.01	Contact Officer: David Webster, Internal Audit Manager Telephone: 01352 702248 E-mail: david.webster@flintshire.gov.uk

7.00	GLOSSARY OF TERMS
7.01	Corporate Governance: the system by which local authorities direct and control their functions and relate to their communities. It is founded on the basic principles of openness and inclusivity, integrity and accountability together with the overarching concept of leadership. It is an inter-related system that brings together the underlying set of legislative requirements, governance principles and management processes.

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Evaluating the Effectiveness of the Audit Committee

Assessment Key

5	Clear evidence is available from a number of sources that the committee is actively supporting improvements across all aspects of this area. The improvements made are clearly identifiable.
4	Clear evidence from some sources that the committee is actively and effectively supporting improvement across some aspects of this area.
3	The committee has had mixed experience in supporting improvement in this area. There is some evidence that demonstrates their impact but there are also significant gaps.
2	There is some evidence that the committee has supported improvements, but the impact of this support is limited.
1	No evidence can be found that the Audit Committee has supported improvements in this area.

Areas where the Audit Committee can add value by supporting improvement	Examples of how the Audit Committee can add value and provide evidence of effectiveness	Self-evaluation, examples, areas of strength and weakness	Overall assessment: 5-1 See key above	
			Average Score (last year in brackets)	Range of Scores (last year in brackets)
		Comments received from Members		
1. Promoting the principles of good governance and their application to decision making.	1. Providing robust review of the AGS and the assurances underpinning it. 2. Working with key members/governors to improve their understanding of the AGS and their contribution to it. 3. Supporting reviews/audits of governance arrangements.	Yes to all. We work hard to ensure the underpinning assurances are robust and correct monitoring processes are in place. Still believe the AGS is reviewed well. Members kept well informed and discussions take place with Internal Audit active in supply of good information.	3.8 (l.y. 3.9)	3-5 (l.y. 2-5)

Areas where the Audit Committee can add value by supporting improvement	Examples of how the Audit Committee can add value and provide evidence of effectiveness	Self-evaluation, examples, areas of strength and weakness	Overall assessment: 5-1 See key above	
		Comments received from Members	Average Score (last year in brackets)	Range of Scores (last year in brackets)
	<p>4. Participating in self-assessments of governance arrangements.</p>	<p>My low marks reflect the total lack of Audit Committee’s ability to ensure managers do their job.</p> <p>Sometimes the scrutiny can be too robust and can cross the line between what is acceptable and what is not. There are serious issues to be examined that do not need personal overtones.</p> <ol style="list-style-type: none"> 1. We try, we fail, so we try again. 2. An area I have not experienced 3. We strongly support this activity. 4. Participating? Hardly, ‘taking note of’ is more usual. <p>Important area for the Audit Committee. More can be done to improve understanding of the AGS by training and briefing sessions.</p>		

Areas where the Audit Committee can add value by supporting improvement	Examples of how the Audit Committee can add value and provide evidence of effectiveness	Self-evaluation, examples, areas of strength and weakness	Overall assessment: 5-1 See key above	
		Comments received from Members	Average Score (last year in brackets)	Range of Scores (last year in brackets)
2. Contributing to the development of an effective control environment.	<p>1. Monitoring the implementation of recommendations from auditors.</p> <p>2. Encouraging ownership of the internal control framework by appropriate managers.</p> <p>3. Raising significant concerns over controls with appropriate senior managers.</p>	<p>Yes to all.</p> <p>The AC acts upon the findings of IA in what it considers to be a robust manner in order to encourage ownership and accountability and it raises significant concerns over control deficiencies when brought before it. Unfortunately, despite reassurances from Officers as to implementation of new procedures these fall short on occasions and one must question where accountability lies in non-adherence and the overall reputation of AC in promoting an effective control environment.</p> <p>I like the acceptance of, and action taken relating to recommendations from auditors.</p> <p>All this assessment is marked by the committees failure to monitor and assess our policies are being adhered to.</p> <p>Sometimes the scrutiny can be too robust and</p>	<p>3.5</p> <p>(l.y. 4.2)</p>	<p>2-5</p> <p>(l.y. 3-5)</p>

Areas where the Audit Committee can add value by supporting improvement	Examples of how the Audit Committee can add value and provide evidence of effectiveness	Self-evaluation, examples, areas of strength and weakness	Overall assessment: 5-1 See key above	
		Comments received from Members	Average Score (last year in brackets)	Range of Scores (last year in brackets)
		<p>can cross the line between what is acceptable and what is not. There are serious issues to be examined that do not need personal overtones. When robust scrutiny and proper examination of officers crosses the boundary it makes committee very distasteful.</p> <ol style="list-style-type: none"> 1. This we do as best we are allowed. 2. We encourage, they ignore. 3. This we do, quite often. <p>Follow up audits and recommendations should be more frequent. Senior managers and officers should be more accountable to the Audit Committee's concerns.</p>		

Areas where the Audit Committee can add value by supporting improvement	Examples of how the Audit Committee can add value and provide evidence of effectiveness	Self-evaluation, examples, areas of strength and weakness	Overall assessment: 5-1 See key above	
		Comments received from Members	Average Score (last year in brackets)	Range of Scores (last year in brackets)
3. Supporting the establishment of arrangements for the governance of risk and for effective arrangements to manage risks.	<p>1. Reviewing risk management arrangements and their effectiveness, e.g. risk managements benchmarking.</p> <p>2. Monitoring improvements.</p> <p>3. Holding risk owners to account for major/strategic risks.</p>	<p>Yes to all.</p> <p>The AC acts upon the findings of IA in what it considers to be a robust manner in order to encourage ownership and accountability and it raises significant concerns over control deficiencies when brought before it. Unfortunately, despite reassurances from Officers as to implementation of new procedures these fall short on occasions and one must question where accountability lies in non-adherence and the overall reputation of AC in promoting an effective control environment.</p> <p>Reviews are well reported and regular.</p> <p>Good reports are regularly given and officer attendance is appropriate.</p> <p>The organisation is risk averse.</p> <p>Again an important area for the Audit</p>	<p>3.7</p> <p>(l.y. 3.6)</p>	<p>2-5</p> <p>(l.y. 2.5 - 5)</p>

Areas where the Audit Committee can add value by supporting improvement	Examples of how the Audit Committee can add value and provide evidence of effectiveness	Self-evaluation, examples, areas of strength and weakness	Overall assessment: 5-1 See key above	
		Comments received from Members	Average Score (last year in brackets)	Range of Scores (last year in brackets)
		Committee. I feel not enough is done with regard to following up monitoring with senior officers and managers/risk owners.		
4. Advising on the adequacy of the assurance framework and considering whether assurance is deployed efficiently and effectively.	<p>1. Specifying its assurance needs, identifying gaps or overlaps in assurance.</p> <p>2. Seeking to streamline assurance gathering and reporting. Reviewing the effectiveness of assurance providers, e.g. internal audit, risk management, external audit.</p>	<p>Yes to both.</p> <p>External Audit and IA undertake thorough assessments and reviews. AC act upon these findings and support/endeavour to reinforce the recommendations. Regrettably, Officers do not always follow through with effective implementation.</p> <p>Don't know if we identified any gaps but see no problem with overlaps if right outcome is achieved. Have great faith in the work of all assurance providers.</p> <p>I feel that the committee has been active in the areas listed here. Once again however we need to be careful about personal issues clouding audit issues.</p>	<p>3.9</p> <p>(l.y. 4)</p>	<p>2-5</p> <p>(l.y. 3-5)</p>

Areas where the Audit Committee can add value by supporting improvement	Examples of how the Audit Committee can add value and provide evidence of effectiveness	Self-evaluation, examples, areas of strength and weakness	Overall assessment: 5-1 See key above	
		Comments received from Members	Average Score (last year in brackets)	Range of Scores (last year in brackets)
		<p>1. If this has occurred, I must have missed the meeting.</p> <p>2. Answers to questions are slow or slower, seldom direct and too often convoluted.</p> <p>Review of reporting arrangements is important. Pre Audit Committee briefings would be useful.</p>		
5. Supporting the quality of the internal audit activity, particularly by underpinning its organisational independence.	<p>1. Reviewing the audit charter and functional reporting arrangements.</p> <p>2. Assessing the effectiveness of internal audit arrangements and supporting improvements.</p>	<p>Yes to both.</p> <p>A good working relationship is held with both Audit functions.</p> <p>Reports are received in good time and well reported. Graphs especially good on iPads. Page numbers don't always tally up with paper copy.</p> <p>Members have questioned the staffing of internal audit and received assurances about the viability of the department.</p>	4.4 (l.y.4.4)	3.5 - 5 (l.y. 4-5)

Areas where the Audit Committee can add value by supporting improvement	Examples of how the Audit Committee can add value and provide evidence of effectiveness	Self-evaluation, examples, areas of strength and weakness	Overall assessment: 5-1 See key above	
		Comments received from Members	Average Score (last year in brackets)	Range of Scores (last year in brackets)
		<p>1. I fear I missed any review, but the functional reporting arrangements are sound.</p> <p>2. Lack of outside officer accountability is a hamper in this area.</p>		
6. Aiding the achievement of the authority's goals and objectives through helping to ensure appropriate governance, risk, control and assurance arrangements.	<p>1. Reviewing major projects and programmes to ensure that governance and assurance arrangements are in place.</p> <p>2. Reviewing the effectiveness of performance management arrangements.</p>	<p>Yes to both.</p> <p>We do our best as a committee but it feels that management are not always willing/able to implement required changes/recommendations.</p> <p>As a committee we do not review major projects e.g. 21st Century Schools spending. Perhaps this is an area for development.</p> <p>1. The organisation is risk averse.</p> <p>2. We are too far distant for meaningful comment.</p> <p>More can be done in reviewing major projects with additional meetings / briefings with stakeholders and officers.</p>	3.3 (l.y. 3.4)	3-5 (l.y. 2-4)

Areas where the Audit Committee can add value by supporting improvement	Examples of how the Audit Committee can add value and provide evidence of effectiveness	Self-evaluation, examples, areas of strength and weakness	Overall assessment: 5-1 See key above	
		Comments received from Members	Average Score (last year in brackets)	Range of Scores (last year in brackets)
7. Supporting the development of robust arrangements for ensuring value for money.	<p>1. Ensuring that assurance on value for money arrangements is included in assurances received by the Audit Committee.</p> <p>2. Considering how performance in value for money is evaluated as part of the AGS.</p>	<p>Yes to both.</p> <p>We do our best as a committee but it feels that management are not always willing/able to implement required changes/recommendations.</p> <p>Value for money is at the heart of the Audit Committees work.</p> <p>1. At Corporate Resources O&S it took monumental efforts to even get value for money recognised as a corporate responsibility. 2. The AGS does pay lip service to this issue.</p>	<p>3.9</p> <p>(l.y. 3.3)</p>	<p>3-5</p> <p>(l.y. 2-5)</p>
8. Helping the authority to implement the values of good governance, including effective arrangements for countering fraud and corruption risks.	<p>1. Reviewing arrangements against the standards set out in CIPFA's <i>Managing Risk of Fraud</i> (Red Book 2).</p> <p>2. Reviewing fraud risks and the effectiveness of the organisation's strategy to address those risks.</p>	<p>Yes to both.</p> <p>Excellent reports on these matters, well covered and discussed in detail.</p> <p>Good progress against these measures.</p> <p>1. I have not read the Red Book 2. 2. If fraud risk is equated to junk e-mail, the</p>	<p>4</p> <p>(l.y. 3.5)</p>	<p>3-5</p> <p>(l.y. 0-5)</p>

Areas where the Audit Committee can add value by supporting improvement	Examples of how the Audit Committee can add value and provide evidence of effectiveness	Self-evaluation, examples, areas of strength and weakness	Overall assessment: 5-1 See key above	
		Comments received from Members	Average Score (last year in brackets)	Range of Scores (last year in brackets)
		<p>organisation requires to update its systems.</p> <p>More emphasis should be given to reviewing past/current fraud. More frequent assessment needed.</p>		



AUDIT COMMITTEE

Date of Meeting	Wednesday, 16 March 2016
Report Subject	Public Sector Internal Audit Standards
Cabinet Member	n/a
Report Author	Internal Audit Manager
Category	Assurance

EXECUTIVE SUMMARY

Internal Audit must conform to the Public Sector Internal Audit Standards (PSIAS). There must be an assessment every year which must be reported to the Audit Committee. These assessments are normally carried out internally as self-assessments, but there must be an external assessment every five years.

Internal assessments have been carried out every year since the standards were introduced. This report shows the results of the current internal self-assessment, the progress against actions arising from last year's assessment, and further actions being undertaken on an ongoing basis to maintain compliance with the components of the standards, Appendices A to C.

The requirement for external assessments can be met by an external assessor validating an internal assessment. They can be carried out as peer reviews, providing that the reviews are not reciprocal and the reviewer is sufficiently independent. In order to minimise costs, within the Wales Chief Auditors Group the Chief Auditors for 18 Councils in Wales have agreed to follow this route, each one reviewing another Council. It is proposed that the Chief Internal Auditor from Ceredigion reviews Flintshire Internal Audit in 2016/17.

RECOMMENDATIONS

1	The committee is requested to note the report.
2	To endorse the method of external assessment to be completed in 2016/17.

REPORT DETAILS

1.00	EXPLAINING THE PUBLIC SECTOR INTERNAL AUDIT STANDARDS
1.01	In December 2012 the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Chartered Institute of Internal Auditors (CIIA) published new Public Sector Internal Audit Standards (PSIAS) for internal audit across the public sector. They apply to Central Government departments including Scotland, Wales and Northern Ireland, Local Authorities across the UK, the NHS, Police and Fire Authorities and National Parks. These replaced the CIPFA Code of Practice for Internal Audit in Local Government published in 2006. The standards are based on the CIIA standards and came into force on 1 st April 2013.
1.02	Internal Audit departments must report their level of conformance with the PSIAS to the Audit Committee. It should then be reported in the Internal Audit Annual Report and stated in every audit report.
1.03	PSIAS include the Definition of Internal Audit, a Code of Ethics, four Attribute Standards and seven Performance Standards, leading to the overall level of conformance. Internal Audit departments should achieve General Conformance (definition given in Appendix A) overall with the PSIAS.
1.04	There is a requirement within the PSIAS for a Quality Assurance and Improvement Programme (QAIP). The requirement is for the Audit Manager to develop and maintain a QAIP to enable the audit activity to be assessed against the PSIAS. External assessments should be carried out at least once every five years, with annual internal assessments.
1.05	Internal assessments must include <ul style="list-style-type: none">• Ongoing monitoring of the performance of the internal audit activity, and• Periodic self-assessments, or assessments by other persons within the organisation with sufficient knowledge of internal audit practices.
1.06	Results of the assessments and progress against identified actions must be reported to the Audit Committee.

2.00	RESOURCE IMPLICATIONS
2.01	Minimal costs of the external assessment in 2016/17.

3.00	CONSULTATIONS REQUIRED / CARRIED OUT
3.01	None.

4.00	RISK MANAGEMENT
4.01	Internal Audit is part of the governance framework for the Council. It is important that it meets the required operational standards to give assurance to the Council that it is functioning properly. This paper shows the results of the assessment of the department against those standards.

5.00	APPENDICES
5.01	Appendix A – Checklist for compliance with PSIAS Appendix B – QAIP actions Appendix C – QAIP components

6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
6.01	None. Contact Officer: David Webster, Internal Audit Manager Telephone: 01352 702248 E-mail: david.webster@flintshire.gov.uk

7.00	GLOSSARY OF TERMS
7.01	None.

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**CHECKLIST FOR ASSESSING CONFORMANCE WITH THE PUBLIC SECTOR INTERNAL AUDIT STANDARDS AND THE
LOCAL GOVERNMENT APPLICATION NOTE (LGAN)**

Key:

- GC Generally Conforms with PSIAS.** The relevant structures, policies and procedures of the activity, as well as the processes by which they are applied, comply with the requirements of individual Standard or element of the Code of Ethics in all material respects. For the sections and major categories, this means that there is general conformance to a majority of the individual Standards or elements of the Code of Ethics, and at least partial conformance to the others, within the section / category. General conformance does not require complete / perfect conformance, the ideal situation, successful practice, etc.
- PC Partially Conforms with PSIAS.** The activity is making good-faith efforts to comply with the requirements of the individual Standard or element of the Code of Ethics, section or major category, but falls short of achieving some major objectives. These will usually represent significant opportunities for improvement in effectively applying the Standards or Code of Ethics and / or achieving their objectives.
- DNC Does Not Conform with PSIAS.** The activity is not aware of, is not making good-faith efforts to comply with, or is failing to achieve many / all of the objectives of the individual Standard or element of the Code of Ethics, section, or major category. These deficiencies will usually have a significant negative impact on the activity's effectiveness and its potential to add value to the organisation. These may also represent significant opportunities for improvement, including actions by senior management or the board.
- N/A Not Applicable.** The sections marked N/A do not apply to this assessment, i.e. there has not yet been an external assessment, the use of 'conforms with International Standards' or disclosure of non-conformance can only be used after this assessment, there are no external providers of audit services.
- CAE Chief Audit Executive.** A generic title used to describe the person responsible for managing the internal audit activity. In Flintshire, it is the Internal Audit Manager.

	SUMMARY OF RESULTS	GC	PC	DNC
	Definition of Internal Auditing	✓		
	Code of Ethics	✓		
	Attribute Standards			
Reference				
1000	Purpose, Authority and Responsibility	✓		
1010	Recognition of the Definition of Internal Auditing, the Code of Ethics, and the Standards in the Internal Audit Charter	✓		
1100	Independence and Objectivity (The sum of <i>Standards</i> 1100-1130)	✓		
1110	Organisational Independence	✓		
1111	Direct Interaction with the Board	✓		
1120	Individual Objectivity	✓		
1130	Impairments to Independence or Objectivity	✓		

	SUMMARY OF RESULTS	GC	PC	DNC
1200	Proficiency and Due Professional Care (The sum of <i>Standards</i> 1210-1230)	✓		
1210	Proficiency	✓		
1220	Due Professional Care	✓		
1230	Continuing Professional Development	✓		
1300	Quality Assurance and Improvement Programme (The sum of <i>Standards</i> 1310-1320)	✓		
1310	Requirements of the Quality Assurance and Improvement Programme		✓	
1311	Internal Assessments	✓		
1312	External Assessments	✓		
1320	Reporting on the Quality Assurance and Improvement Programme	✓		
1321	Use of Conforms with the International Standards for the Professional Practice of Internal Auditing	✓		
1322	Disclosure of Non-conformance	✓		

	SUMMARY OF RESULTS	GC	PC	DNC
	Performance Standards			
Reference				
2000	Managing the Internal Audit Activity (Sum total of <i>Standards</i> 2010 – 2060)	✓		
2010	Planning	✓		
2020	Communication and Approval	✓		
2030	Resource Management	✓		
2040	Policies and Procedures	✓		
2050	Coordination	✓		
2060	Reporting to Senior Management and the Board	✓		
2070	External service Provider and Organisational Responsibility for Internal Audit	N/A	N/A	N/A
2100	Nature of Work (Sum of <i>Standards</i> 2110 – 2130)	✓		
2110	Governance	✓		
2120	Risk Management	✓		
2130	Control	✓		

	SUMMARY OF RESULTS	GC	PC	DNC
2200	Engagement Planning (Sum of <i>Standards</i> 2201-2240)	✓		
2201	Planning Considerations	✓		
2210	Engagement Objectives	✓		
2220	Engagement Scope	✓		
2230	Engagement Resource Allocation	✓		
2240	Engagement Work Programme	✓		
2300	Performing the Engagement (The sum of <i>Standards</i> 2300-2340)	✓		
2310	Identifying Information	✓		
2320	Analysis and Evaluation	✓		
2330	Documenting Information	✓		
2340	Engagement Supervision	✓		
2400	Communicating Results (Sum of <i>Standards</i> 2410-2440)	✓		
2410	Criteria for Communicating	✓		
2420	Quality of Communications	✓		

	SUMMARY OF RESULTS	GC	PC	DNC
2421	Errors and Omissions	✓		
2430	Use of 'conducted in conformance with the International Standards for the Professional Practice of Internal Auditing'.	✓		
2431	Engagement Disclosure of Non-conformance	✓		
2440	Disseminating Results	✓		
2450	Overall Opinions	✓		
2500	Monitoring Progress	✓		
2600	Resolution of Senior Management's Acceptance of Risks	✓		
	OVERALL CONCLUSION – CONFORMANCE WITH PSIAS	✓		

Ref	Conformance with the Standard	GC	PC	DNC	Evidence
1	Definition of Internal Auditing				
	Using evidence gained from assessing conformance with other Standards, is the internal audit activity: a) Independent? b) Objective?	✓ ✓			See questions below Charter updated during 2013 to reflect the new PSIAS, including the definition of Internal Audit.
	Using evidence gained from assessing conformance with other Standards, does the internal audit activity use a systematic and disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes within the organisation?	✓			See questions below
	Definition Conclusion	✓			
2	Code of Ethics				
	Integrity Using evidence gained from assessing conformance with other Standards, do internal auditors: a) Perform their work with honesty, diligence and responsibility? b) Observe the law and make disclosures expected by the law and the profession? c) Not knowingly partake in any illegal activity nor engage in acts that are discreditable to the profession of internal auditing or to the organisation? d) Respect and contribute to the legitimate and ethical objectives of the organisation?	✓ ✓ ✓ ✓			See questions below. As professional officers, each internal auditor is expected to perform their duties in accordance with the CIAA's code of ethics, as well as FCC's code of conduct.
	Objectivity Using evidence gained from assessing conformance with other Standards, do internal auditors display objectivity by not: a) Taking part in any activity or relationship that may impair or be presumed to impair their unbiased assessment? b) Accepting anything that may impair or be presumed to impair their professional judgement? c) Disclosing all material facts known to them that, if not disclosed, may distort the reporting of activities under review?	✓ ✓ ✓			See questions below Completion of annual declaration of interest, compliance with FCC Code of Conduct.
	Confidentiality				

Ref	Conformance with the Standard	GC	PC	DNC	Evidence
	Using evidence gained from assessing conformance with other Standards, do internal auditors display objectivity by: a) Acting prudently when using information acquired in the course of their duties and protecting that information? b) Not using information for any personal gain or in any manner that would be contrary to the law or detrimental to the legitimate and ethical objectives of the organisation?	✓ ✓			See questions below. All work is undertaken in a confidential manner. All documentation is held securely with retention policies in place. All sensitive data is exported using GCSX email accounts. Laptops all encrypted.
	Competency Using evidence gained from assessing conformance with other Standards, do internal auditors display objectivity by: a) Only carrying out services for which they have the necessary knowledge, skills and experience? b) Performing services in accordance with the PSIAS? c) Continually improving their proficiency and effectiveness and quality of their services, for example through CPD schemes?	✓ ✓ ✓			See questions below. Regular training in services to be audited. Expertise developed over time in complex areas. Training plans based on appraisals, now competency based. Development Plan compiled from latest appraisals.
	Do internal auditors have regard to the Standards of Public Life's Seven Principles of Public Life?	✓			See questions below
	Code of Ethics Conclusion	✓			
	Standards				
3	Attribute Standards				
3.1	1000 Purpose, Authority and Responsibility				
	Does the internal audit charter include a formal definition of: a) the purpose b) the authority, and c) the responsibility of the internal audit activity consistent with the Public Sector Internal Audit Standards (PSIAS)?	✓ ✓ ✓			The Internal Audit Charter includes the responsibilities, independence, role and rights of access. It is part of the Constitution. These are also included in the Council's Financial Regulations.
LGAN	Does the internal audit charter define the terms 'board' and 'senior management', for the purposes of the internal audit activity? Note that it is expected that the audit committee will fulfil the role of the board in the majority of instances.		✓		Sets out each of the functions of the board and where it lies.
	Does the internal audit charter also: a) Set out the internal audit activity's position within the organisation?				The Charter includes sections on the Role and Scope of IA, Independence and Authority, Audit

Ref	Conformance with the Standard	GC	PC	DNC	Evidence
LGAN	b) Establish the CAE's functional reporting relationship with the board?	✓			<p>Responsibility, Resources, Training, Reporting and Performance Reporting.</p> <p>It includes the reporting relationships of the Audit Manager to statutory officers and the Audit Committee.</p> <p>Unrestricted access to all activities, functions, records and property.</p> <p>The right to require information from officers.</p> <p>The contribution is in place through all audit work and the Audit Manager's chairmanship of the Corporate Governance Working Group.</p> <p>Responsible for investigating potential fraud and irregularity.</p> <p>PSIAS recognised within the scope.</p>
	c) Establish the accountability, reporting line and relationship between the CAE and those to whom the CAE may report administratively?	✓			
LGAN	d) Establish the responsibility of the board and also the role of the statutory officers (such as the CFO, the monitoring officer and the head of paid service) with regards to internal audit?	✓			
	e) Establish internal audit's right of access to all records, assets, personnel and premises and its authority to obtain such information and explanations as it considers necessary to fulfil its responsibilities?	✓			
LGAN	f) Define the scope of internal audit activities?	✓			
LGAN	g) Recognise that internal audit's remit extends to the entire control environment of the organisation?	✓			
LGAN	h) Identify internal audit's contribution to the review of effectiveness of the control environment, as set out in the Accounts and Audit (England) Regulations 2011?	✓			
	i) Establish the organisational independence of internal audit?	✓			
	j) Cover the arrangements for appropriate resourcing?	✓			
	k) Define the role of internal audit in any fraud-related work?	✓			
	l) Set out the existing arrangements within the organisation's anti-fraud and anti-corruption policies, to be notified of all suspected or detected fraud, corruption or impropriety?	✓			
	m) Include arrangements for avoiding conflicts of interest if internal audit undertakes non-audit activities?	✓			
	n) Define the nature of assurance services provided to the organisation, as well as assurances provided to parties external to the organisation?	✓			
	o) Define the nature of consulting services?	✓			
	p) Recognise the mandatory nature of the PSIAS?	✓			
	Does the chief audit executive (CAE) periodically review the internal audit charter and present it to senior management and the board for approval?		✓		
	Does the CAE attend audit committee meetings?	✓			Attendance at all meetings.
	Does the CAE contribute to audit committee agendas?	✓			Produces the Forward Work Programme.

Ref	Conformance with the Standard	GC	PC	DNC	Evidence
	1000 Conclusion	✓			
3.2	1100 Independence and Objectivity				
	Does the CAE have direct and unrestricted access to senior management and the board?	✓			The manager reports functionally to the Audit Committee and Administratively to the Chief Officer Governance. He can contact the s151 Officer, any Chief Officer or the Chief Officer Team as a whole at any time, and also can contact the Audit Committee at any time.
	Does the CAE have free and unfettered access to, as well as communicate effectively with, the chief executive or equivalent and the chair of the audit committee?	✓			Manager can contact Chief Executive and Chair of Audit at any time.
	Are threats to objectivity identified and managed at the following levels: a) Individual auditor? b) Engagement? c) Functional? d) Organisation?	✓ ✓ ✓ ✓			Auditors identify any conflict and report them to audit management. All other levels included in the Charter and Constitution.
	1100 Conclusion	✓			
	<i>1110 organisational Independence</i>				
	Does the CAE report to an organisational level equal or higher than the corporate management team?	✓			See above – manager reports to the Chief Officer Governance.
LGAN	Does the CAE report to a level within the organisation that allows the internal audit activity to fulfil its responsibilities?	✓			See above - manager reports to the Chief Officer Governance.
LGAN	Have reporting and management arrangements been put in place that preserve the CAE's independence and objectivity? This is of particular importance when the CAE is line managed by another officer of the authority.	✓			See above - manager reports to the Chief Officer Governance and the Audit Committee and can contact the Chief Executive at any time.
LGAN	Does the CAE's position in the management structure: a) Reflect the influence he or she has on the control environment? b) Provide the CAE with sufficient status to ensure that audit plans, reports and action plans are discussed effectively with the board? c) Ensure that he or she is sufficiently senior and independent to be able	✓ ✓ ✓			Manager is a member of the Governance Management Team. Audit plans are agreed with COT and Audit Committee. Audit Reports, including action plans, are issued to the relevant Chief Officer.

Ref	Conformance with the Standard	GC	PC	DNC	Evidence
	to provide credibly constructive challenge to senior management?				
	Does the CAE confirm to the board, at least annually, that the internal audit activity is organisationally independent? The following examples can be used by the CAE when assessing the organisational independence of the internal audit activity: The board: a) approves the internal audit charter b) approves the risk-based audit plan c) approves the internal audit budget and resource plan d) receives communications from the CAE on the activity's performance (in relation to the plan, for example) e) approves decisions relating to the appointment and removal of the CAE f) seeks reassurance from management and the CAE as to whether there are any inappropriate scope or resource limitations.	✓ ✓ ✓ ✓ ✓ ✓			In the Annual Report. Also in annual meeting with the AC. Audit Committee Chief Officer Team and Audit Committee. Chief Officer Governance Audit Committee Chief Officer Governance Audit Committee
	Does the chief executive or equivalent undertake, Countersign, contribute feedback to or review the performance appraisal of the CAE?	✓			First appraisal completed by Chief Officer Governance and Chief Executive March 2015.
	Is feedback sought from the chair of the audit committee for the CAE's performance appraisal?	✓			First appraisal completed by Chief Officer Governance and Chief Executive March 2015. Feedback sought from chair of the Audit Committee.
	1110 Conclusion	✓			
	<i>1111 Direct Interaction with the Board</i>				
	Does the CAE communicate and interact directly with the board?	✓			Reports to each Audit Committee meeting. Private meeting takes place annually. If necessary, Manager can meet with the committee or chair at any time.
	1111 Conclusion	✓			

Ref	Conformance with the Standard	GC	PC	DNC	Evidence
	<i>1120 Individual Objectivity</i>				
	Do internal auditors have an impartial, unbiased attitude?	✓			
	Do internal auditors avoid any conflict of interest, whether apparent or actual?	✓			Auditors complete annual declaration of interests. Auditors report any potential conflict to audit management. Also considered during the allocation of work to auditors. No members of the team have recently worked in other areas of the Authority.
	1120 Conclusion	✓			
	<i>1130 Impairment to Independence or Objectivity</i>				
	If there has been any real or apparent impairment of independence or objectivity, has this been disclosed to appropriate parties (depending on the nature of the impairment and the relationship between the CAE and senior management/the board as set out in the internal audit charter)?				N/A. None has arisen.
	Have internal auditors assessed specific operations for which they have been responsible within the previous year?	✓			No members of the team have recently worked in other areas of the Authority.
	If there have been any assurance engagements in areas over which the CAE also has operational responsibility, have these engagements been overseen by someone outside of the internal audit activity?				N/A. Manager does not have any operational responsibility.
LGAN	Are assignments for ongoing assurance engagements and other audit responsibilities rotated periodically within the internal audit team?	✓			The team is large enough to allow this.
LGAN	Have internal auditors declared interests in accordance with organisational requirements?	✓			Auditors sign declarations of interest forms annually.
LGAN	Where any internal auditor has accepted any gifts, hospitality, inducements or other benefits from employees, clients, suppliers or other third parties (other than as may be allowed by the organisation's own policies), has this been declared and investigated fully?				N/A. None accepted. If this happened, they would be recorded in the Portfolio register.
LGAN	Have any instances been discovered where an internal auditor has used information obtained during the course of duties for personal gain?	✓			This has not happened.
LGAN	Have internal auditors disclosed all material facts known to them which, if not disclosed, could distort their reports or conceal unlawful practice, subject to any confidentiality agreements?	✓			Auditors sign declaration of interest forms annually and report any conflicts of interest if they arise.

Ref	Conformance with the Standard	GC	PC	DNC	Evidence
LGAN	Have internal auditors complied with the Bribery Act 2010?	✓			See above.
	If there has been any real or apparent impairment of independence or objectivity relating to a proposed consulting services engagement, was this disclosed to the engagement client before the engagement was accepted?				N/A. None has arisen.
	Where there have been significant additional consulting services agreed during the year that were not already included in the audit plan, was approval sought from the board before the engagement was accepted?				N/A. Plan allows time for some consulting work.
	1130 Conclusion	✓			
3.3	1200 Proficiency and Due Professional Care				
	1210 Proficiency				
	Does the CAE hold a professional qualification, such as CMIIA/CCAB or equivalent?	✓			CFIIA, QIAL.
	Is the CAE suitably experienced?	✓			In Internal Audit since 1982, management positions since 1999, Manager at FCC since 2005 working for RSM Tenon. Employed by the Council since 2013.
LGAN	Is the CAE responsible for recruiting appropriate internal audit staff, in accordance with the organisation's human resources processes?	✓			Manager fully responsible for recruitment.
LGAN	Does the CAE ensure that up-to-date job descriptions exist that reflect roles and responsibilities and that person specifications define the required qualifications, competencies, skills, experience and personal attributes?	✓			Job descriptions and person specifications redefined as part of Finance Function Review, 2012.
	Does the internal audit activity collectively possess or obtain the skills, knowledge and other competencies required to perform its responsibilities?	✓			Auditor competencies assessed. Annual competency based appraisals carried out.
	Where the internal audit activity does not possess the skills, knowledge and other competencies required to perform its responsibilities, does the CAE obtain competent advice and assistance?	✓			If necessary can buy in expertise, e.g. IT audit
	Do internal auditors have sufficient knowledge to evaluate the risk of fraud and anti-fraud arrangements in the organisation?	✓			Manager, Principal Auditors and some Senior Auditors keep up to date on fraud requirements and attend training days.
	Do internal auditors have sufficient knowledge of key information technology risks and controls?	✓			Principal Auditors and some Senior Auditors specialise in IT work. A Principal is a qualified IT

Ref	Conformance with the Standard	GC	PC	DNC	Evidence
					Auditor.
	Do internal auditors have sufficient knowledge of the appropriate computer-assisted audit techniques that are available to them to perform their work, including data analysis techniques?	✓			Members of the team keep up to date on Computer Assisted Audit Techniques. IDEA is used for most regulatory reviews.
	1210 Conclusion	✓			
	<i>1220 Due Professional Care</i>				
	Do internal auditors exercise due professional care by considering the: a) Extent of work needed to achieve the engagement's objectives? b) Relative complexity, materiality or significance of matters to which assurance procedures are applied? c) Adequacy and effectiveness of governance, risk management and control processes? d) Probability of significant errors, fraud, or non-compliance? e) Cost of assurance in relation to potential benefits?	✓ ✓ ✓ ✓ ✓			Overall consideration for the organisation takes place as part of the annual planning cycle. Analysis of these factors takes place in the planning stage of every assignment. Now use Pre-Audit Questionnaire and scoping meeting to gain information. CAATs used where appropriate. All documented in the audit manual. This was updated in 2015 to reflect the implementation of audit software and the move to electronic files.
	Do internal auditors exercise due professional care during a consulting engagement by considering the: a) Needs and expectations of clients, including the nature, timing and communication of engagement results? b) Relative complexity and extent of work needed to achieve the engagement's objectives? c) Cost of the consulting engagement in relation to potential benefits?	✓ ✓ ✓			Considered during the planning of any consultancy work by auditors and Principal Auditors.
	1220 Conclusion	✓			
	<i>1230 Continuing Professional Development</i>				
LGAN	Has the CAE defined the skills and competencies for each level of auditor?	✓			Defined in the person specification for each position.
LGAN	Does the CAE periodically assess individual auditors against the predetermined skills and competencies?	✓			Annual competency based appraisal process.
	Do internal auditors undertake a programme of continuing professional	✓			Each auditor is responsible for their own CPD to

Ref	Conformance with the Standard	GC	PC	DNC	Evidence
	development?				meet the requirements of their professional body. Departmental development plan compiled after the last round of appraisals.
	Do internal auditors maintain a record of their professional development and training activities?	✓			Training log maintained by the department.
	1230 Conclusion	✓			
3.4	1300 Quality Assurance and Improvement Programme				
	Has the CAE developed a Quality Assurance and Improvement Programme (QAIP) that covers all aspects of the internal audit activity and enables conformance with all aspects of the PSIAS to be evaluated?	✓			QAIP in place based on overall requirements and results of last year's internal assessment.
	Does the QAIP assess the efficiency and effectiveness of the internal audit activity and identify opportunities for improvement?	✓			Assessment last year used as a starting point.
	Does the CAE maintain the QAIP?	✓			QAIP developed by the manager.
LGAN	If the organisation is a 'larger relevant body' in England, does it conduct a review of the effectiveness of its internal audit at least annually, in accordance with the Accounts and Audit (England) Regulations 2011 section 6(3)?				Now also a requirement in Wales. This review meets the requirement.
	1300 Conclusion	✓			
	<i>1310 Requirements of the Quality Assurance and Improvement Programme</i>				
	Does the QAIP include both internal and external assessments?		✓		Internal assessments completed each year, external assessment to be completed in 2016/17.
	1310 Conclusion		✓		
	<i>1311 Internal Assessments</i>				
LGAN	Does the CAE ensure that audit work is allocated to staff with the appropriate skills, experience and competence?	✓			Part of the planning process annually and for individual assignments.

Ref	Conformance with the Standard	GC	PC	DNC	Evidence
	Do internal assessments include ongoing monitoring of the internal audit activity such as: a) Routine quality monitoring processes? b) Periodic assessments for evaluating conformance with the PSIAS?	✓ ✓			All work is subject to quality review. Annual internal assessments
LGAN	Does ongoing performance monitoring include comprehensive performance targets?	✓			There are performance targets for the department and each staff member.
LGAN	Are the performance targets developed in consultation with appropriate parties and included in any service level agreement?	✓			Departmental targets agreed with Audit Committee. Entered into the Service Plan. Individual targets agreed during annual appraisals.
LGAN	Does the CAE measure, monitor and report on progress against these targets?	✓			Progress against departmental targets reported to Audit Committee quarterly.
LGAN	Does ongoing performance monitoring include obtaining stakeholder feedback?	✓			Feedback questionnaires issued on completion of every assignment. Results are positive.
	Are the periodic self-assessments or assessments carried out by people external to the internal audit activity undertaken by those with a sufficient knowledge of internal audit practices? Sufficiency would require knowledge of the PSIAS and the wider guidance available such as the Local Government Application Note and/or IIA practice advisories, etc.	✓			Self Assessments have been carried out against these Standards by the Audit Manager and Principal Auditors.
LGAN	Does the periodic assessment include a review of the activity against the risk-based plan and the achievement of its aims and objectives?	✓			
	1311 Conclusion	✓			
	<i>1312 External Assessments</i>				
	Has an external assessment been carried out, or is planned to be carried out, at least once every five years?	✓			QA review of files carried out by RSM Tenon during 2012/13. External review against PSIAS planned for 2016/17.
LGAN	Has the CAE considered the pros and cons for the different types of external assessment (i.e. 'full' or self-assessment plus 'independent validation')?	✓			Yes. Self assessment plus independent validation to be completed. Organised via the Wales Chief Auditors Group and to be carried out by the Head of Internal Audit Ceredigion.
	Has the CAE discussed the proposed form of the external assessment and the qualifications and independence of the assessor or assessment	✓			Part of this paper to the Audit Committee.

Ref	Conformance with the Standard	GC	PC	DNC	Evidence
	team with the board?				
LGAN	Has the CAE agreed the scope of the external assessment with an appropriate sponsor, such as the chair of the audit committee, the CEO or the chief executive?				N/A. To be completed in planning the review.
	Has the CAE agreed the scope of the external assessment with the external assessor or assessment team?				N/A. To be completed in planning the review.
	Has the assessor or assessment team demonstrated its competence in both areas of professional practice of internal auditing and the external assessment process? Competence can be determined in the following ways: a) experience gained in organisations of similar size b) complexity c) sector (i.e. the public sector) d) industry (i.e. local government), and e) technical experience. Note that if an assessment team is used, competence needs to be demonstrated across the team and not for each individual member.				N/A. Not yet completed.
	How has the CAE used his or her professional judgement to decide whether the assessor or assessment team demonstrates sufficient competence to carry out the external assessment?				N/A. Not yet completed.
	Does the assessor or assessment team have any real or apparent conflicts of interest with the organisation? This may include, but is not limited to, being a part of or under the control of the organisation to which the internal audit activity belongs.	✓			Peer review to be completed by the Head of Internal Audit for Ceredigion.
	1312 Conclusion				N/A
	<i>1320 Reporting on the Quality Assurance and Improvement Programme</i>				
	Has the CAE reported the results of the QAIP to senior management and the board? Note that: a) the results of both external and periodic internal assessment must be communicated upon completion b) the results of ongoing monitoring must be communicated at least annually c) the results must include the assessor's or assessment team's	✓			This report for 2015/16. Report for 2014/15 presented to Audit Committee in March 2015. Progress against action plan also reported.

Ref	Conformance with the Standard	GC	PC	DNC	Evidence
	evaluation with regards to the degree of the internal audit activity's conformance with the PSIAS.				
	Has the CAE included the results of the QAIP and progress against any improvement plans in the annual report?	✓			Included in the report to this meeting.
	1320 Conclusion	✓			
	<i>1321 Use of 'Conforms with the International Standards for the Professional Practice of Internal Auditing'</i>				
	Has the CAE stated that the internal audit activity conforms with the PSIAS only if the results of the QAIP support this?	✓			Based on the results of the previous assessment. Stated in each audit report.
	1321 Conclusion	✓			
	<i>1322 Disclosure of Non-conformance</i>				
	Has the CAE reported any instances of non-conformance with the PSIAS to the board?	✓			This report shows conformance or non-conformance.
	Has the CAE considered including any significant deviations from the PSIAS in the governance statement and has this been evidenced?	✓			Considered for the governance statement.
	1322 Conclusion	✓			
4	Performance Standards				
4.1	2000 Managing the Internal Audit Activity				
	Do the results of the internal audit activity's work achieve the purposes and responsibility of the activity, as set out in the internal audit charter?	✓			Through the audit plan, as reported in the annual report.
	Does the internal audit activity conform with the <i>Definition of Internal Auditing</i> and the <i>Standards</i>	✓			Through the Charter and the audit manual.
	Do individual internal auditors, who are part of the internal audit activity, demonstrate conformance with the <i>Code of Ethics</i> and the <i>Standards</i> ?	✓			Through the audit manual. All work subject to review. All complete a Declaration of Interests form.
	Does the internal audit activity add value to the organisation and its stakeholders by a) Providing objective and relevant assurance?	✓			Audit plan is based on the organisation's objectives. Audit reports contain recommendations to improve effectiveness and

Ref	Conformance with the Standard	GC	PC	DNC	Evidence
	b) Contributing to the effectiveness and efficiency of the governance, risk management and internal control processes?	✓			efficiency. Additional advisory work and presence on project groups requested by management.
	2000 Conclusion	✓			
	<i>2010 Planning</i>				
	Has the CAE determined the priorities of the internal audit activity in a risk-based plan and are these priorities consistent with the organisation's goals?	✓			RBIA in place. Strategic and operational plan based on the organisations objectives and risks, from the Improvement Plan.
	Does the risk-based plan take into account the requirement to produce an annual internal audit opinion?	✓			Strategic and operational plan designed to provide evidence needed for annual opinion.
	Does the risk-based plan take into account the organisation's assurance framework?	✓			Sources of assurance considered during planning.
	Does the risk-based plan incorporate or is it linked to a strategic or high-level statement of: a) How the internal audit service will be delivered? b) How the internal audit service will be developed in accordance with the internal audit charter? c) How the internal audit service links to organisational objectives and priorities?	✓ ✓ ✓			Part of the Strategic Plan. Stated in the Plan. Part of the Strategic Plan.
	Does the risk-based plan set out how internal audit's work will identify and address local and national issues and risks?	✓			Strategic Plan includes how the plan was developed, including links to risk management.
	In developing the risk-based plan, has the CAE taken into account the organisation's risk management framework and relative risk maturity of the organisation?	✓			Risk management framework assessed by internal audit. Audit Universe given audit risk ratings.
	If such a risk management framework does not exist, has the CAE used his or her judgement of risks after input from senior management and the board and evidenced this?				N/A
LGAN	Does the risk-based plan set out the: a) Audit work to be carried out? b) Respective priorities of those pieces of audit work? c) Estimated resources needed for the work?	✓ ✓ ✓			All included in the plan.
LGAN	Does the risk-based plan differentiate between audit and other types of work?	✓			All work categorised within the plan.

Ref	Conformance with the Standard	GC	PC	DNC	Evidence
LGAN	Is the risk-based plan sufficiently flexible to reflect the changing risks and priorities of the organisation?	✓			The plan includes a contingency allowance, and is subject to review throughout the year.
	Does the CAE review the plan on a regular basis and has he or she adjusted the plan when necessary in response to changes in the organisation's business, risks, operations, programmes, systems and controls?	✓			The plan is subject to review throughout the year, with amendments reported to the Audit Committee.
	Is the internal audit activity's plan of engagements based on a documented risk assessment?	✓			The Council's strategic and operational risks are assessed and used in audit planning.
	Is the risk assessment used to develop the plan of engagements undertaken at least annually?	✓			The Council's strategic and operational risks are assessed at least annually.
LGAN	In developing the risk-based plan, has the CAE also considered the following: a) Any declarations of interest (for the avoidance for conflicts of interest)? b) The requirement to use specialists, e.g. IT or contract and procurement auditors? c) Allowing contingency time to undertake ad hoc reviews or fraud investigations as necessary? d) The time required to carry out the audit planning process effectively as well as regular reporting to and attendance of the board, the development of the annual report and the CAE opinion?	✓ ✓ ✓ ✓			Considered in strategic and assignment planning. Considered in strategic and assignment planning. Included in the plan. Included in the plan.
	Is the input of senior management and the board considered in the risk assessment process?	✓			Consultation takes place with senior management whilst producing the audit plan. Audit Committee views also taken into account.
	Does the CAE identify and consider the expectations of senior management, the board and other stakeholders for internal audit opinion and any other conclusions?	✓			During audit planning.
	Does the CAE take into consideration any proposed consulting engagement's potential to improve the management of risks, to add value and to improve the organisation's operations before accepting them?	✓			All proposed consulting work is considered before it is accepted.
	Are consulting engagements that have been accepted included in the risk-based plan?	✓			Added to the plan and reported to the Audit Committee.
	2010 Conclusion	✓			

Ref	Conformance with the Standard	GC	PC	DNC	Evidence
	<i>2020 Communication and Approval</i>				
	Has the CAE communicated the internal audit activity's plans and resource requirements to senior management and the board for review and approval?	✓			Reported to Chief Officer Team and Audit Committee. Resource level supported by senior management and Audit Committee.
	Has the CAE communicated any significant interim changes to the plan and/or resource requirements to senior management and the board for review and approval, where such changes have arisen?	✓			Reported to the Audit Committee if necessary.
	Has the CAE communicated the impact of any resource limitations to senior management and the board?	✓			Reported to the Audit Committee and CMT. Annual plan included possible deferrals.
	2020 Conclusion	✓			
	<i>2030 Resource Management</i>				
	Does the risk-based plan explain how internal audit's resource requirements have been assessed?	✓			From experience and in line with others.
LGAN	Has the CAE planned the deployment of resources, especially the timing of engagements, in conjunction with management to minimise abortive work and time?	✓			Discussed in planning meetings and planned throughout the year.
LGAN	If the CAE believes that the level of agreed resources will impact adversely on the provision of the internal audit opinion, has he or she brought these consequences to the attention of the board? This may include an imbalance between the work plan and resource availability and/or other significant matters that jeopardise the delivery of the plan or require it to be changed.	✓			Audit plan uses the resources available, sufficient to provide the audit opinion. May need to bring in specialised external resource for IT reviews.
	2030 Conclusion	✓			
	<i>2040 Policies and Procedures</i>				
	Has the CAE developed and put into place policies and procedures to guide the internal audit activity?	✓			Policies and procedures in place. Audit manual updated in 2015 after the introduction of integrated audit software. MKI checklist also produced.

Ref	Conformance with the Standard	GC	PC	DNC	Evidence
LGAN	Has the CAE established policies and procedures to guide staff in performing their duties in a manner that conforms to the PSIAS? Examples include maintaining an audit manual and/or using electronic management systems.	✓			Policies and procedures in place. Audit manual updated in 2015 after the introduction of integrated audit software. MKI checklist also produced.
LGAN	Are the policies and procedures regularly reviewed and updated to reflect changes in working practices and standards?	✓			See above – updated during 2015.
	2040 Conclusion	✓			
	<i>2050 Coordination</i>				
	Does the risk-based plan include the approach to using other sources of assurance and any work that may be required to place reliance upon those sources?	✓			Reliance placed on external auditors and regulators.
LGAN	Has the CAE carried out an assurance mapping exercise as part of identifying and determining the approach to using other sources of assurance?			✓	Assurance mapping to be completed in 2016.
	Does the CAE share information and coordinate activities with other internal and external providers of assurance and consulting services?	✓			Regular meetings with external auditors.
LGAN	Does the CAE meet regularly with the nominated external audit representative to consult on and coordinate their respective audit plans?	✓			Regular meetings with external auditors. Protocol in place with WAO
	2050 Conclusion	✓			
	<i>2060 Reporting to Senior Management and the Board</i>				
	Does the CAE report periodically to senior management and the board on the internal audit activity's purpose, authority, responsibility and performance relative to its plan?	✓			Quarterly reports to Audit Committee.
	Does the periodic reporting also include significant risk exposures and control issues, including fraud risks, governance issues and other matters needed or requested by senior management and the board?	✓			Major findings reported. In addition, reports provided as requested by the Audit Committee.
	Is the frequency and content of such reporting determined in discussion with senior management and the board and are they dependent on the importance of the information to be communicated and the urgency of the related actions to be taken by senior management or the board?	✓			Standard quarterly reporting. However, additional reporting would take place if there was sufficient importance and urgency. Major reports dealt with in full.

Ref	Conformance with the Standard	GC	PC	DNC	Evidence
					When necessary management called to attend AC meetings.
	2060 Conclusion	✓			
	<i>2070 External Service Provider and Organisational Responsibility for Internal Auditing</i>				
	Where an external internal audit service provider acts as the internal audit activity, does that provider ensure that the organisation is aware that the responsibility for maintaining and effective internal audit activity remains with the organisation?				N/A
	2070 Conclusion				N/A
4.2	2100 Nature of Work				
	Does the internal audit activity evaluate and contribute to the improvement of the organisation's governance, risk management and internal control processes?	✓			Overall aim of the department. Manager chairs the Corporate Governance Working Group.
	Does the internal audit activity evaluate and contribute to the improvement of the above using a systematic and disciplined approach and is this evidenced?	✓			Through the completion of the audit plan.
	2100 Conclusion	✓			
	<i>2110 Governance</i>				
	Does the internal audit activity: a) Promote appropriate ethics and values within the organisation? b) Ensure effective organisational performance management and accountability? c) Communicate risk and control information to appropriate areas of the organisation? d) Coordinate the activities of and communicate information among the board, external and internal auditors and management?	✓ ✓ ✓ ✓			Through the completion of the audit plan and communication of findings to management.

Ref	Conformance with the Standard	GC	PC	DNC	Evidence
	Does the internal audit activity assess and make appropriate recommendations for improving the governance process as part of accomplishing the above objectives?	✓			Through individual assignments and by the input of the manager to the Corporate Governance Working Group.
	Has the internal audit activity evaluated the: a) design b) implementation, and c) effectiveness of the organisation's ethics-related objectives, programmes and activities?		✓		Audit work is based on the Council's objectives and priorities and covers some of the areas in the Code of Corporate Governance such as organisational performance management and communication of risk and control information.
	Has the internal audit activity assessed whether the organisation's information technology governance supports the organisation's strategies and objectives?	✓			Information technology governance included in the audit plan.
LGAN	Has the CAE considered the proportionality of the amount of work required to assess the ethics and information technology governance of the organisation when developing the risk-based plan?	✓			All competing priorities are considered when finalising the plan.
	2110 Conclusion	✓			
	<i>2120 Risk Management</i>				
	Has the internal audit activity evaluated the effectiveness of the organisation's risk management processes by determining that: a) Organisational objectives support and align with the organisation's mission? b) Significant risks are identified and assessed? c) Appropriate risk responses are selected that align risks with the organisation's risk appetite? d) Relevant risk information is captured and communicated in a timely manner across the organisation, thus enabling the staff, management and the board to carry out their responsibilities?	✓ ✓ ✓ ✓			Risk management included in the audit plan every year. Risks now aligned within the Improvement Plan. Reported to O&S in Performance Reports.
	Has the internal audit activity evaluated the risks relating to the organisation's governance, operations and information systems regarding the: a) Achievement of the organisation's strategic objectives? b) Reliability and integrity of financial and operational information?	✓ ✓			As part of audit planning and the completion of individual audit assignments. Evaluated and reported to O&S in Performance Reports. Within specific audits.

Ref	Conformance with the Standard	GC	PC	DNC	Evidence
	c) Effectiveness and efficiency of operations and programmes? d) Safeguarding of assets? e) Compliance with laws, regulations, policies, procedures and contracts?	✓ ✓ ✓			Within specific audits. Within specific audits. Within specific audits.
	Has the internal audit activity evaluated the potential for fraud and also how the organisation itself manages fraud risk?		✓		As part of audit planning, question in PAQ asks management to consider the risk of fraud in their area. The department is responsible for the maintenance of the Anti Fraud Strategy, Fraud Response Plan and Whistleblowing procedure. All updated during 2014/15. Fraud risks not fully evaluated.
	Do internal auditors address risk during consulting engagements consistently with the objectives of the engagement?	✓			Dependent on the nature of the assignment.
	Are internal auditors alert to other significant risks when undertaking consulting engagements?	✓			Any other risks are reported to audit management.
	Do internal auditors successfully avoid managing risks themselves, which would in effect lead to taking on management responsibility, when assisting management in establishing or improving risk management processes?	✓			Auditors do not take on management responsibility or risk management roles.
	2120 Conclusion	✓			
	<i>2130 Control</i>				
	Has the internal audit activity evaluated the adequacy and effectiveness of controls in the organisation's governance, operations and information systems regarding the: a) Achievement of the organisation's strategic objectives? b) Reliability and integrity of financial and operational information? c) Effectiveness and efficiency of operations and programmes? d) Safeguarding of assets? e) Compliance with laws, regulations, policies, procedures and contracts?	✓ ✓ ✓ ✓ ✓			As part of audit planning and the completion of individual risk based audit assignments.
	Do internal auditors utilise knowledge of controls gained during consulting engagements when evaluating the organisation's control	✓			All relevant knowledge is used.

Ref	Conformance with the Standard	GC	PC	DNC	Evidence
	processes?				
	2130 Conclusion	✓			
4.3	2200 Engagement Planning				
	Do internal auditors develop and document a plan for each engagement?	✓			Planning Document completed for each audit.
	Does the engagement plan include the engagement's: a) Objectives? b) Scope? c) Timing? d) Resource allocations?	✓ ✓ ✓ ✓			Standard format that includes all these.
	Do internal auditors consider the following in planning an engagement, and is this documented: a) The objectives of the activity being reviewed? b) The means by which the activity controls its performance? c) The significant risks to the activity being audited? d) The activity's resources? e) The activity's operations? f) The means by which the potential impact of risk is kept to an acceptable level? g) The adequacy and effectiveness of the activity's governance, risk management and control processes compared to a relevant framework or model? h) The opportunities for making significant improvements to the activity's governance, risk management and control processes?	✓ ✓ ✓ ✓ ✓ ✓ ✓ ✓			Pre Audit Questionnaire used to gain information. Documented in the Planning Document where relevant. Not all are relevant to each audit.
	Where an engagement plan has been drawn up for an audit to a party outside of the organisation, have the internal auditors established a written understanding with that party about the following: a) Objectives? b) Scope? c) The respective responsibilities and other expectations of the internal auditors and the outside party (including restrictions on distribution of the results of the engagement and access to engagement records)?	✓			NWRWTP – objectives and scope of the audits agreed. Responsibility of IA included in Inter-Authority Agreement.
	For consulting engagements, have internal auditors established an				Agreed with management at the start of the

Ref	Conformance with the Standard	GC	PC	DNC	Evidence
	understanding with the engagement clients about the following: a) Objectives? b) Scope? c) The respective responsibilities of the internal auditors and the client and other client expectations?	✓ ✓ ✓			work.
	For significant consulting engagements, has this understanding been documented?				N/A
	2200 Conclusion	✓			
	<i>2210 Engagement Objectives</i>				
	Have objectives been agreed for each engagement?	✓			Part of the Planning Document.
	Have internal auditors carried out a preliminary risk assessment of the activity under review?	✓			Where applicable. Strategic and operational risks considered. Carried out using the Pre Audit Questionnaire and Scoping Meeting
	Do the engagement objectives reflect the results of the preliminary risk assessment that has been carried out?	✓			Where applicable.
	Have internal auditors considered the probability of the following, when developing the engagement objectives: a) Significant errors? b) Fraud? c) Non-compliance? d) Any other risks?	✓ ✓ ✓ ✓			When developing the Planning Document.
	Have internal auditors ascertained whether management and/or the board have established adequate criteria to evaluate and determine whether objectives and goals have been accomplished?	✓			PI's included within the audits.
	If the criteria have been deemed adequate, have the internal auditors used the criteria in their evaluation of governance, risk management and controls?	✓			Part of overall evaluation.
	If the criteria have been deemed inadequate, have the internal auditors worked with management and/or the board to develop appropriate evaluation criteria?		✓		Lack of PIs reported where applicable, not developed by IA.
LGAN	If the value for money criteria have been referred to, has the use of all the organisation's main types of resources been considered; including money, people and assets?	✓			Where referred to. Increased focus on value for money assignments during the year.

Ref	Conformance with the Standard	GC	PC	DNC	Evidence
	Do the objectives set for consulting engagements address governance, risk management and control processes as agreed with the client?	✓			Objectives agreed with the client.
	Are the objectives set for consulting engagements consistent with the organisation's own values, strategies and objectives?	✓			Objectives agreed with the client.
	2210 Conclusion	✓			
	<i>2220 Engagement Scope</i>				
	Is the scope that is established for the engagement sufficient to satisfy the engagement's objectives?	✓			Recorded in Planning Document
	Does the engagement scope include consideration of the following relevant areas of the organisation: a) Systems? b) Records? c) Personnel? d) Premises?	✓			All include consideration of systems. Others considered when appropriate,
	Does the engagement scope include consideration of the following relevant areas under the control of outside parties, where appropriate: a) Systems? b) Records? c) Personnel? d) Premises?				N/A
	Where significant consulting opportunities have arisen during an assurance engagement, was a specific written understanding as to the objectives, scope, respective responsibilities and other expectations drawn up?				N/A
	Where significant consulting opportunities have arisen during an assurance engagement, were the results of the subsequent engagement communicated in accordance with the relevant consulting Standards?				N/A
	For a consulting engagement, was the scope of the engagement sufficient to address any agreed-upon objectives?	✓			Scope agreed at the start of the audit.
	If the internal auditors developed any reservations about the scope of a consulting engagement while undertaking that engagement, did they discuss those reservations with the client and therefore determine				N/A

Ref	Conformance with the Standard	GC	PC	DNC	Evidence
	whether or not to continue with the engagement?				
	During consulting engagements, did internal auditors address the controls that are consistent with the objectives of those engagements?	✓			As normal procedure.
	During consulting engagements, were internal auditors alert to any significant control issues?	✓			As normal procedure.
	2220 Conclusion	✓			
	<i>2230 Engagement Resource Allocation</i>				
	Have internal auditors decided upon the appropriate and sufficient level of resources required to achieve the objectives of the engagement based on: a) The nature and complexity of each individual engagement? b) Any time constraints? c) The resources available?	✓ ✓ ✓			Planned at start of the year, then amended with detailed planning.
	2230 Conclusion	✓			
	<i>2240 Engagement Work Programme</i>				
	Have internal auditors developed and documented work programmes that achieve the engagement objectives?	✓			Work programmes developed by auditors and reviewed by PAs for each engagement.
	Do the engagement work programmes include the following procedures for: a) Identifying information? b) Analysing information? c) Evaluating information? d) Documenting information?	✓			Information, including analysis and evaluation, recorded in the engagement file.
	Were work programmes approved prior to implementation for each engagement?	✓			Reviewed by Principal Auditors.
	Were any adjustments required to work programmes approved promptly?	✓			By Principal Auditors.
	2240 Conclusion	✓			

Ref	Conformance with the Standard	GC	PC	DNC	Evidence
4.4	2300 Performing the Engagement				
	Have internal auditors carried out the following in order to achieve each engagement's objectives: a) Identify sufficient information? b) Analyse sufficient information? c) Evaluate sufficient information? d) Document sufficient information?	✓			Standard methodology, trained and experienced staff, files reviewed by Principal Auditors and retained. Audit software and electronic files used.
	2300 Conclusion	✓			
	<i>2310 Identifying Information</i>				
	Have internal auditors identified the following in order to achieve each engagement's objectives: a) Sufficient information? b) Reliable information? c) Relevant information? d) Useful information?	✓			Information requested prior to the audit. Files contain test sheets and results. Standard methodology, trained and experienced staff, files reviewed by Principal Auditors and retained. CAATs used where applicable. Some data not extracted by IA directly.
	2310 Conclusion	✓			
	<i>2320 Analysis and Evaluation</i>				
	Have internal auditors based their conclusions and engagement results on appropriate analyses and evaluations?	✓			Requirements set out in audit manual. Electronic files contain test sheets and results. Files reviewed by Principal Auditors and retained.
LGAN	Have internal auditors remained alert to the possibility of the following: a) intentional wrongdoing b) errors and omissions c) poor value for money d) failure to comply with management policy, and e) conflicts of interest when performing their individual audits, and has this been documented?	✓			Requirements set out in audit manual, standard methodology. Electronic files reviewed by Principal Auditors. Auditors are trained and experienced.
	2320 Conclusion	✓			

Ref	Conformance with the Standard	GC	PC	DNC	Evidence
	<i>2330 Documenting Information</i>				
	Have internal auditors documented the relevant information required to support engagement conclusions and results?	✓			Requirements set out in audit manual. Files reviewed by Principal Auditors
LGAN	Are working papers sufficiently complete and detailed to enable another experienced internal auditor with no previous connection with the audit to ascertain what work was performed, to re-perform it if necessary and to support the conclusions reached?	✓			Requirements set out in audit manual. Files contain test sheets and results, reviewed by Principal Auditors and retained electronically.
	Does the CAE control access to engagement records?	✓			Electronic files used. Security and backup arrangements for the new software approved by ICT before procurement. Each auditor has their own unique user ID and password.
	Has the CAE obtained the approval of senior management and/or legal counsel as appropriate before releasing such records to external parties?				N/A. Only released to WAO.
	Has the CAE developed and implemented retention requirements for all types of engagement records?	✓			Retention in line with FCC and Data Protection guidelines
	Are the retention requirements for engagement records consistent with the organisation's own guidelines as well as any relevant regulatory or other requirements?	✓			Policy is in line with FCC and Data Protection guidelines.
	2330 Conclusion	✓			
	<i>2340 Engagement Supervision</i>				
	Are all engagements properly supervised to ensure that objectives are achieved, quality is assured and that staff are developed?	✓			Supervised by Principal Auditors – scope agreed, work reviewed.
	Is appropriate evidence of supervision documented and retained for each engagement?	✓			Recorded in the files.
	2330 Conclusion	✓			
4.5	2400 Communicating Results				
	Do internal auditors communicate the results of engagements?	✓			At debrief meeting, draft and final reports.

Ref	Conformance with the Standard	GC	PC	DNC	Evidence
	2400 Conclusion	✓			
	<i>2410 Criteria for Communicating</i>				
	Do the communications of engagement results include the following: a) The engagement's objectives? b) The scope of the engagement? c) Applicable conclusions? d) Recommendations and action plans, if appropriate?	✓			Opening meeting held, and included in scoping document. Debrief meeting held to discuss all findings. Included in all reports.
LGAN	Has the internal auditor discussed the contents of the draft final report with the appropriate levels of management to confirm factual accuracy, seek comments and confirm the agreed management actions?	✓			Standard practice to have a closing meeting.
LGAN	If recommendations and an action plan have been included, are recommendations prioritised according to risk?	✓			Red, amber, green.
LGAN	If recommendations and an action plan have been included, does the communication also state agreements already reached with management, together with appropriate timescales?	✓			Included in final report.
LGAN	If there are any areas of disagreement between the internal auditor and management, which cannot be resolved by discussion, are these recorded in the action plan and the residual risk highlighted?				N/A. Disagreements are resolved.
LGAN	Do communications disclose all material facts known to them in their audit reports which, if not disclosed, could distort their reports or conceal unlawful practice, subject to confidentiality requirements?	✓			All material known facts disclosed.
LGAN	Do the final communications of engagement results contain, where appropriate, the internal auditor's opinions and/or conclusions, building up to the annual internal audit opinion on the control environment?	✓			Included in the final report.
	When an opinion or conclusion is issued, are the expectations of senior management, the board and other stakeholders taken into account?	✓			Prior communication via the debrief meeting and draft report. Views considered, but the opinion remains the auditors
	When an opinion or conclusion is issued, is it supported by sufficient, reliable, relevant and useful information?	✓			Reports supported by evidence in the file.
	Where appropriate, do engagement communications acknowledge satisfactory performance of the activity in question?	✓			Included in report.
	When engagement results have been released to parties outside of the organisation, does the communication include limitations on the	✓			WAO only. Status of reports included in communications.

Ref	Conformance with the Standard	GC	PC	DNC	Evidence
	distribution and use of the results?				
LGAN	If the CAE has been required to provide assurance to other partnership organisations, has he or she also demonstrated that their fundamental responsibility is to the management of the organisation to which they are obliged to provide internal audit services?	✓			Reports to NWRWTP.
	2410 Conclusion	✓			
	<i>2420 Quality of Communications</i>				
	Are communications: a) Accurate? b) Objective? c) Clear? d) Concise? e) Constructive? f) Complete? g) Timely?	✓			Aim for all of these, through specified report format, audit manual requirements, training and experience, review of files and reports.
	2420 Conclusion	✓			
	<i>2421 Errors and Omissions</i>				
	If a final communication has contained a significant error or omission, did the CAE communicate the corrected information to all parties who received the original communication?	✓			One report re-issued with updated information.
	2421 Conclusion	✓			
	<i>2430 Use of 'Conducted in Conformance with the International Standards for the Professional Practice of Internal Auditing'</i>				
	Do internal auditors report that engagements are 'conducted in conformance with the PSIAS' only if the results of the QAIP support such a statement?	✓			Included in all reports.
	2421 Conclusion	✓			

Ref	Conformance with the Standard	GC	PC	DNC	Evidence
	<i>2431 Engagement Disclosure of Non conformance</i>				
	Where any non-conformance with the PSIAS has impacted on a specific engagement, do the communication of the results disclose the following: a) The principle or rule of conduct of the Code of Ethics or Standard(s) with which full conformance was not achieved? b) The reason(s) for non-conformance? c) The impact of non-conformance on the engagement and the engagement results?				N/A. Not happened.
	2431 Conclusion				N/A
	<i>2440 Disseminating Results</i>				
	Has the CAE determined the circulation of audit reports within the organisation, bearing in mind confidentiality and legislative requirements?	✓			Reports issued to Chief Officers, relevant managers.
	Has the CAE communicated engagement results to all appropriate parties?	✓			Through debrief meetings, draft and final reports.
	Before releasing engagement results to parties outside the organisation, did the CAE: a) Assess the potential risk to the organisation? b) Consult with senior management and/or legal counsel as appropriate? c) Control dissemination by restricting the use of the results?	✓			WAO only for FCC reports. NWRWTP – reports seen by senior management / legal before they are issued.
	Where any significant governance, risk management and control issues were identified during consulting engagements, were these communicated to senior management and the board?	✓			Included in reports and issued to Chief Officers. Also reported to Audit Committee, in summary or in total.
	2440 Conclusion	✓			
	<i>2450 Overall Opinion</i>				
	Has the CAE delivered an annual internal audit opinion?	✓			Annual Report
	Does the annual internal audit opinion conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control?	✓			Annual Report includes the opinions.

Ref	Conformance with the Standard	GC	PC	DNC	Evidence
	Does the annual internal audit opinion take into account the expectations of senior management, the board and other stakeholders?	✓			Expectations taken into account, but it remains the audit opinion.
	Is the annual internal audit opinion supported by sufficient, reliable, relevant and useful information?	✓			Built up from all reports in the year.
	Does the communication identify the following: a) The scope of the opinion, including the time period to which the opinion relates? b) Any scope limitations? c) The consideration of all related projects including the reliance on other assurance providers? d) The risk or control framework or other criteria used as a basis for the overall opinion?	✓			All included in the Annual Report.
	Where a qualified or unfavourable annual internal audit opinion is given, are the reasons for that opinion stated?				N/A. Not given. If this were the case, reasons would be included.
	Has the CAE delivered an annual report that can be used by the organisation to inform its governance statement?	✓			Used and quoted in the AGS.
LGAN	Does the annual report incorporate the following: a) The annual internal audit opinion?	✓			N/A. No qualifications N/A. No qualifications
LGAN	b) A summary of the work that supports the opinion?	✓			
LGAN	c) A disclosure of any qualifications to the opinion?				
	d) The reasons for any qualifications to the opinion?				
LGAN	e) A disclosure of any impairments or restriction in scope?	✓			
LGAN	f) A comparison or work actually carried out with the work planned?	✓			
	g) A statement on conformance with the PSIAS?	✓			
	h) The results of the QAIP?	✓			
LGAN	i) Progress against any improvement plans resulting from the QAIP?	✓			
LGAN	j) A summary of the performance of the internal audit activity against its performance measures and targets?	✓			
LGAN	k) Any other issues that the CAE judges is relevant to the preparation of the governance statement?	✓			
	2450 Conclusion	✓			
4.6	2500 Monitoring Progress				

Ref	Conformance with the Standard	GC	PC	DNC	Evidence
	Has the CAE established a process to monitor and follow up management actions to ensure that they have been effectively implemented or that senior management have accepted the risk of not taking action?		✓		Recommendation tracking in operation for all recommendations using audit software which gives direct access to managers to update and monitor progress. Also some follow up reviews. Managers called to Audit Committee if inadequate action.
	Where issues have arisen during the follow-up process, has the CAE considered revising the internal audit opinion?	✓			Issue new report after the follow up if necessary.
	Do the results of monitoring management actions inform the risk-based planning of future audit work?	✓			Included in planning for the year.
	Does the internal audit activity monitor the results of consulting engagements as agreed with the client?	✓			At a later time by a different auditor, to ensure independence is maintained.
	2500 Conclusion	✓			
4.7	2600 Communicating the Acceptance of Risks				
	If the CAE has concluded that management has accepted a level of risk that may be unacceptable to the organisation, has he or she discussed the matter with senior management?	✓			
	If, after discussion with senior management, the CAE continues to conclude that the level of risk may be unacceptable to the organisation, has he or she communicated the situation to the board?	✓			
	2600 Conclusion	✓			

Quality Assurance and Improvement Plan – 2015/16

Actions from assessment March 2015 – questions not scored as conforming

Ref	Conformance with the Standard	Compliance	Planned Action	Person Responsible	Timescale	Comment
3.1/ LGAN	Does the Internal Audit Charter define the terms 'board' and 'senior management', for the purposes of the internal audit activity? Note that it is expected that the audit committee will fulfil the role of the board in the majority of cases	Partial	Review definitions within the Charter	DW	Sept 2016	Ongoing. Charter sets out the functions of the board and where it lies. To be updated in the next review.
3.4	Does the QAIP include both internal and external assessments?	Partial	Continue internal assessments, external assessment to be completed by 2017/18	DW	2017	Ongoing. Internal assessments completed annually, again in March 2016. Agreed with Chair of AC and COG for external assessment to take place in 2016. Being arranged via WCAG
4.1	Has the CAE developed and put into place policies and procedures to guide the internal audit activity?	Partial	Audit manual to be updated after the introduction of integrated audit software.	DW	Autumn 2015	Achieved. Manual updated and reissued.
4.1	Has the CAE established policies and procedures to guide staff in performing their duties in a manner that conforms to the PSIAS? Examples include maintaining an audit manual and/or using electronic management systems.	Partial	Audit manual to be updated after the introduction of integrated audit software.	DW	Autumn 2015	Achieved. Manual updated and reissued.

Ref	Conformance with the Standard	Compliance	Planned Action	Person Responsible	Timescale	Comment
4.1	Are the policies and procedures regularly reviewed and updated to reflect changes in working practices and standards?	Partial	Audit manual to be updated after the introduction of integrated audit software.	DW	Autumn	Achieved. Manual produced and procedures around the use of the integrated software updated.
4.1	Has the CAE carried out an assurance mapping exercise as part of identifying and determining the approach to using other sources of assurance?	Non compliance	Assurance mapping to be completed in 2015	DW	Autumn 2015	Not achieved. To be completed in 2016.
4.2	Has the internal audit activity evaluated the design, implementation and effectiveness of the organisation's ethics-related objectives, programmes and activities?	Partial	Review as part of CGWG – review of Code of Corporate Governance.	DW	Dec 2015	Ongoing. Audit work is based on the Council's objectives and priorities and covers some of the areas in the Code of Corporate Governance such as organisational performance management and communication of risk and control information.

Ref	Conformance with the Standard	Compliance	Planned Action	Person Responsible	Timescale	Comment
4.2	Has the internal audit activity evaluated the potential for fraud and also how the organisation itself manages fraud risk?	Partial	Improve awareness of fraud. Collect data on fraud risk.	DW	Mar 2016	Ongoing. Anti-Fraud and Corruption Strategy and Fraud Response Plan reviewed, updated and relaunched on Infonet. Question on fraud included in PAQ - need to analyse data collected.
4.3	If the criteria developed by management to evaluate and determine whether objectives and goals have been accomplished have been deemed inadequate, have the internal auditors worked with management to develop appropriate evaluation criteria?	Partial	Review PI's as part of audits.	DW	Mar 2016	Achieved. Scopes include management information. Use of CAMMS will enhance this.
	If the value for money criteria have been referred to, has the use of all the organisation's main types of resources been considered, including money, people and assets?	Partial	Develop vfm work	DW	Mar 2016	Achieved. Instruction to be aware of and report vfm issues in every audit. Several vfm reports issued.

Ref	Conformance with the Standard	Compliance	Planned Action	Person Responsible	Timescale	Comment
4.6	Has the CAE established a process to monitor and follow up management actions to ensure that they have been effectively implemented or that senior management have accepted the risk of not taking action?	Partial	Review tracking, schedule in follow up audits.	DW	End 2015	Achieved. Tracking now maintained of all recommendations. Follow up audits considered as part of planning.

Quality Assurance Improvement Programme – Components – from IIA standard.

	Component	Actions 2014/15	Planned Actions 2015/16	Completed Action 2015/16
1	Develop and maintain audit policies and procedures.	System for producing reports changed during the year – distribution of discussion draft reports, then debrief meeting to agree comments, then speedy issue of final reports. Further changes planned to include the use of bullet points instead of detailed recommendations, with management tasked with producing action points.	To be reviewed and reissued after introduction of MKInsight.	Manual and MKI procedures issued.
2	Administer and maintain the Internal Audit Manual	Not updated after the move from Tenon – awaiting introduction of MKInsight. To be updated during 2015/16.	To be reviewed and reissued after introduction of MKInsight.	Reissued January 2016
3	Ensure the financial and budget management of the department	Financial budget maintained through monthly monitoring	Monitor monthly.	Financial budget maintained through monthly monitoring.
4	Maintain the audit risk universe, gather and incorporate new information impacting the universe.	Audit universe derived from previous audits plus new developments. Incorporated in Strategic Planning.	Through liaison meetings, update for strategy	Audit Universe updated from audits and Improvement Plan and Risk Registers. Incorporated in strategic planning.

	Component	Actions 2014/15	Planned Actions 2015/16	Completed Actions 2015/16
5	Evaluate audit risk and produce the strategic plan	Strategic Plan produced using risks from Improvement Plan and own knowledge.	Produce strategic plan in early 2016 (annual update)	Strategic Plan produced using risks from Improvement Plan and own knowledge.
6	Agree and implement an annual plan	Annual Plan is the first year of the Strategic Plan completed in more detail. During 2014/15 it was produced for the old FCC structure then rearranged at half year to reflect the new FCC structure – with further consultation at that point.	Produce from strategic plan (annual update)	Annual Plan is the first year of the Strategic Plan.
7	Operate audit tools and use up to date technology	Department changed to MKInsight during the year. IDEA also in place and will be updated to v9.	Develop full usage of MKInsight.	MKI used for all stages of the audit process. IDEA used for more audits, when applicable.

	Component	Actions 2014/15	Planned Actions 2015/16	Completed actions 2015-16
8	Manage recruitment to meet staffing needs	Full time member of staff recruited to fill vacancy at the start of the year. Current staffing levels agreed by Audit Committee and Chief Executive as being necessary, not affected by Business Planning.	Recruit as needed	No recruitment needed.
9	Complete annual performance appraisals	Appraisals completed.	Complete using new template and method.	Completed January 2016
10	Maintain training and development of staff	Training arranged after appraisals, also training on new software – MKInsight.	Maintain overview of courses, allocate as necessary.	Training log maintained. Development plan developed from the results of appraisals.
11	Evaluate post-audit questionnaires	Questionnaires evaluated on an ongoing basis – no problems.	Review and update. Maintain evaluation.	Questionnaires issued via MKI
12	Complete quarterly progress reports to audit committee	Progress reports presented to the AC every quarter.	Continue.	Progress reports presented to the AC every quarter.

	Component	Actions 2014/15	Planned Actions 2015/16	Completed actions 2015-16
13	Monitor the implementation of audit recommendations	Fundamental and significant recommendations tracked using in-house system. Also some follow up work. Will be improved with the implementation of MKInsight.	Introduce tracking through MKInsight.	Actions now tracked through MKI
14	Keep the audit team up to date with professional best practice	Training courses, seminars etc. monitored. Manager, Principals and Senior Auditors attend where relevant.	Maintain overview of new developments, distribute as necessary.	Training log maintained.



AUDIT COMMITTEE

Date of Meeting	Wednesday, 16 March 2016
Report Subject	Action Tracking
Cabinet Member	N/A
Report Author	Internal Audit Manager
Category	Advisory

EXECUTIVE SUMMARY

The report shows the action points from previous Audit Committee meetings and the progress made in completing them. The majority of the requested actions have been completed, with some still outstanding. They will be reported back to a future meeting.

RECOMMENDATIONS

1	The committee is requested to accept the report.
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REPORT DETAILS

1.00	EXPLAINING THE ACTION TRACKING REPORT
1.01	A previous meetings requests for information, reports or actions have been made. These have been summarised as action points. This paper summarises those points and provides an update on the actions resulting from them.

2.00	RESOURCE IMPLICATIONS
2.01	None as a result of this report.

3.00	CONSULTATIONS REQUIRED / CARRIED OUT
3.01	Action owners contacted to provide an update on their actions.

4.00	RISK MANAGEMENT
4.01	None as a result of this report.

5.00	APPENDICES
5.01	Appendix 1 – Action Points.

6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
6.01	None. Contact Officer: David Webster, Internal Audit Manager Telephone: 01352 702248 E-mail: david.webster@flintshire.gov.uk

7.00	GLOSSARY OF TERMS
7.01	None

AUDIT COMMITTEE ACTION SHEET

7TH MAY 2014				
Agenda Item No.	Report	Action Required	Responsible Officer	Action Taken
93	Audit Committee self-assessment against CIPFA guide	The work of Internal Audit and the Policy, Performance and Partnerships team on external partnership governance and performance be shared with the Committee	Internal Audit Manager.	Audit completed, Amber/Green assurance level. Detail of the results given in the Progress Report.

10TH DECEMBER 2014				
Agenda Item No.	Report	Action Required	Responsible Officer	Action Taken
42	Internal Audit Progress Report	That the Internal Audit Manager make representations to the Wales Chief Auditors Group, on behalf of the Committee, for all Welsh Councils to participate in the benchmarking exercise.	Internal Audit Manager	Raised at WCAG meeting 24.7.15. Results for this year show increased participation, up from 15 Councils to 19. Benchmarking results are included in the Progress Report.

3rd JUNE 2015

Agenda Item No.	Report	Action Required	Responsible Officer	Action Taken
12	Internal Audit Progress Report	To ensure that the audit on S106 Agreements is scheduled into the Plan for 2015/16.	Internal Audit Manager	Fieldwork completed, draft report produced.

27th JANUARY 2016

Agenda Item No.	Report	Action Required	Responsible Officer	Action Taken
41	Payroll Follow Up	The request for completion of Reporting Manager fields to become a directive for Chief Officers to action by 31/3/16. Any remaining information after this deadline to be immediately reconciled by the respective officers.	Chief Executive	Chief Officers were emailed on 23/02/16 and asked to comply with the following: If/when you receive any messages from "YourHR System Management" relating to missing reporting managers can you please give it your urgent attention as Internal Audit, WAO & Members of the Audit Committee have raised this as an area of concerns in relation to incomplete data in iTrent. A number of positive responses have been received from Chief Officers so full compliance is expected (if not already achieved).
41	Payroll Follow Up	To respond to Cllr Halford's request for clarity on progress with the outstanding actions.	Internal Audit Manager	E mail to all Audit Committee members 29 th January 2016.

27th JANUARY 2016

Agenda Item No.	Report	Action Required	Responsible Officer	Action Taken
42	Risk Management Update	To provide more detail on exploring all funding opportunities for regeneration/rural projects as part of the next Improvement Plan report to the Community and Enterprise Overview and Scrutiny Committee	Policy and Performance Manager	This item is to be included in the Q3 or Q4 Improvement plan monitoring report. Assurances will then be provided back to Audit Committee in the next Risk Management update (as action below).
42	Risk Management Update	Assurances on this issue to be clarified in the next Risk Management update report to the Audit Committee.	Policy and Performance Manager	See above.
43	Consultants	That additional information supplied as part of the annual accounts on individual consultants include spend on all use of consultants	Chief Executive / Finance Manager – Technical Accountancy	To be included in the end of year accounts.
43	Consultants	That officers look at the reasons for any further non-compliance with corporate requirements and procedures and check appropriate management actions and accountability	Chief Executive	To be included in the Internal Audit follow up report on Consultants, to be presented to the July committee.

27th JANUARY 2016

Agenda Item No.	Report	Action Required	Responsible Officer	Action Taken
43	Consultants	That a separate report outside the usual follow-up update be received at the meeting on 13 th July 2016.	Internal Audit Manager	To be presented on 13 th July 2016.
43	Consultants	To highlight the concerns with the management group and with the workforce to state the need for accountability for non-compliance.	Chief Executive	Raised with the Chief Officer Team. Internal Audit requested to review the levels of compliance overall.
44	Treasury Management	That the draft Treasury Management Practices and Schedules 2016-19 be recommended to Cabinet on 16 th February 2016 with the inclusion of the suggested changes.	Finance Manager – Technical Accountancy	Changes in wording agreed following the Audit Committee meeting.
50	Forward Work Programme	That the FWP be accepted, with the inclusion of the update report on consultants for the meeting on 13 th July 2016	Internal Audit Manager	Report included in the FWP



AUDIT COMMITTEE

Date of Meeting	Wednesday, 16 March 2016
Report Subject	Forward Work Programme
Cabinet Member	N/A
Report Author	Internal Audit Manager
Category	Advisory

EXECUTIVE SUMMARY

The Audit Committee presents an opportunity for Members to determine the Forward Work programme of the Committee of which they are Members. By reviewing and prioritising the Forward Work Programme Members are able to ensure it is Member-led and includes the right issues. A copy of the Forward Work Programme is attached at Appendix 1 for Members' consideration which has been updated following the last meeting.

The Committee is asked to consider, and amend where necessary, the Forward Work Programme for the Audit Committee.

RECOMMENDATION

1	That the Committee considers the draft Forward Work Programme and approve/amend as necessary.
2	That the Internal Audit Manager, in consultation with the Chair and Vice-Chair of the Committee be authorised to vary the Forward Work Programme between meetings, as the need arises.

REPORT DETAILS

1.00	EXPLAINING THE FORWARD WORK PROGRAMME
1.01	Items feed into a Committee's Forward Work Programme from a number of sources. Many items are standard every quarter, six months or annually, and Members can also suggest topics for review by the Committee. Items can also be referred by the Cabinet, County Council or Chief Officers.
1.02	<p>In identifying topics for future consideration, it is useful for a 'test of significance' to be applied. This can be achieved by asking a range of questions as follows:</p> <ol style="list-style-type: none">1. Will the review contribute to the Council's priorities and/or objectives?2. Is it an area of major change or risk?3. Are there issues of concern in governance, risk management or internal control?4. Is it relevant to the financial statements or financial affairs of the Council?5. Is there new Government guidance of legislation?6. Is it prompted by the work carried out by Regulators/Internal Audit?
2.00	RESOURCE IMPLICATIONS
2.01	None as a result of this report.
3.00	CONSULTATIONS REQUIRED / CARRIED OUT
3.01	Publication of this report constitutes consultation.
4.00	RISK MANAGEMENT
4.01	None as a result of this report.
5.00	APPENDICES
5.01	Appendix 1 - Draft Forward Work Programme
6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
6.01	<p>None.</p> <p>Contact Officer: David Webster Internal Audit Manager</p> <p>Telephone: 01352 702248</p> <p>E-mail: david.webster@flintshire.gov.uk</p>

7.00	GLOSSARY OF TERMS
	<p><u>WAO, Wales Audit Office</u> works to support the Auditor General as the public sector watchdog for Wales. They aim to ensure that the people of Wales know whether public money is being managed wisely and that the public bodies in Wales understand how to improve outcomes.</p> <p><u>PSIAS, Public Sector Internal Audit Requirements</u> A set of standards that all Internal Audit teams working in the public sector must comply with.</p>

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AUDIT COMMITTEE
FORWARD WORK PROGRAMME 2016/17

MEETING DATE	AGENDA ITEM	AUTHOR
Wednesday 13th July 2016 10.00	Certification of Grants and Returns Report (WAO)	Liz Thomas
	Annual Improvement Report (WAO)	Karen Armstrong
	Draft Statement of Accounts	Gary Ferguson
	Supplementary Financial Information to Draft Statement of Accounts 2015/16	Liz Thomas
	Draft Annual Governance Statement	Gareth Owens
	Treasury Management Update and Annual Report 2015/16	Liz Thomas
	Internal Audit Annual Report	David Webster
	Internal Audit Progress Report	David Webster
	Risk Management Update	Karen Armstrong
	Financial Procedure Rules	Sara Dulson
	Consultancy Follow Up	David Webster
	Asset Disposals and Capital Receipts	Neal Cockerton

MEETING DATE	AGENDA ITEM	AUTHOR
	Action Tracking	David Webster
	Forward Work Programme	David Webster
September 2016	Statement of Accounts 2015/16	Gary Ferguson
	Supplementary Financial Information to Statement of Accounts	Gary Ferguson
	Audit of Financial Statements (WAO)	
	Internal Audit Progress Report	David Webster
	Internal Audit Charter	David Webster
	Corporate Governance Report	David Webster
	Action Tracking	David Webster
	Forward Work Programme	David Webster
January 2017	Internal Audit Progress Report	David Webster
	Risk Management update	Karen Armstrong
	Treasury Management Mid-Year Update and Strategy	Liz Thomas
	Annual Report on external inspections	David Webster

MEETING DATE	AGENDA ITEM	AUTHOR
	Action Tracking	David Webster
	Forward Work Programme	David Webster
March 2017	Audit Plan (WAO)	
	Annual Improvement Report (WAO)	Karen Armstrong
	Treasury Management Update	Liz Thomas
	Internal Audit Progress Report	Neal Cockerton
	Internal Audit Strategic Plan	David Webster
	PSIAS Compliance	David Webster
	Audit Committee Self Assessment	David Webster
	Action Tracking	David Webster
	Forward Work Programme	David Webster
	Private Meeting (WAO and IA)	David Webster

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AUDIT COMMITTEE

Date of Meeting	Wednesday, 16 March 2016
Report Subject	Internal Audit Progress Report
Cabinet Member	Not Applicable
Report Author	Internal Audit Manager
Type of Report	Assurance

EXECUTIVE SUMMARY

Internal Audit produces a progress report for the Audit Committee every quarter. This shows the position of the team against the plan, changes to the plan, final reports issued, action tracking, performance indicators and current investigations. This meets the requirements of the Public Sector Internal Audit Standards, and also enables the committee to fulfil the Terms of Reference with regards to Internal Audit.

The current report is attached.

RECOMMENDATIONS

1	To consider and accept the report.
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REPORT DETAILS

1.00	EXPLAINING THE INTERNAL AUDIT PROGRESS REPORT
1.01	Internal Audit gives a progress report to the Audit Committee every quarter as part of the normal reporting process. The report is divided into several parts.

1.02	<p>Appendix A shows progress against the plan for 2015/16. This is broadly in line with expectations, although it has been affected by the transition to the new audit software, resulting in some audits exceeding their budgeted time. The delays have become fewer in the latest quarter. In addition, more than 60 days have been spent in developing, implementing and rolling out the new software and the procedures around it, which is more than expected. The plan is subject to change. A few reviews have been deferred from the plan because of changing circumstances, these are shown in Appendix B.</p>
1.03	<p>All reports finalised since the last committee meeting are shown in Appendix C. Members previously asked about the work on strategic partnerships, an outstanding action in the Action Tracking report. A summary of the recent audit report is given in Appendix C. The assurance level was amber/green – key controls in place but some fine tuning required.</p> <p>Details of the two ‘red’ reviews are given – Direct Payments in Appendix C and E Teach in a supplementary report. The findings and recommendations in both of these reports are predominantly about value for money.</p> <p>Copies of all final reports are available for members if they wish to see them.</p>
1.04	<p>The integrated audit software is now being used for action tracking. All actions are now being tracked automatically, whereas under the previous manual system it was only possible to track the higher priority actions. The system allows Managers and Chief Officers to monitor their own teams’ outstanding actions and confirm they are being implemented.</p> <p>E mail alerts are generated by the system and sent to the responsible officer and their manager before the action is due. E mails are also sent to them and copied to Chief Officers if actions are not completed on time. Monthly reports will also be sent to Chief Officers informing them of outstanding actions for their teams.</p> <p>The system was rolled out from the 4th January 2016, including requiring all managers and Chief Officers to register. It included all actions from reports issued since April 2015, along with outstanding actions previously tracked. As such there was a large backlog of actions which should have been completed but which needed to be closed on the system.</p> <p>Appendix D shows the current situation. Of 215 actions entered into the system 110 have been cleared. Of the remaining 105, only 13 are currently overdue.</p>
1.05	<p>Appendix E shows the range of performance indicators for the department. This is still reflecting the introduction of the new software. Audits completed within planned time has improved greatly, but there was a problem with issuing reports on time. The statistics for the second quarter, July to September, were greatly affected by annual leave. There was some improvement in quarter three. The figures were affected by some major cross-directorate reviews. The targets need to be reviewed for the coming year.</p>
1.06	<p>Appendix F shows benchmarking undertaken by the Wales Chief Auditors Group. This is completed on a voluntary basis for mutual benefit. For 2014/15 nineteen Councils took part in the benchmarking, up from fifteen in</p>

	the previous year. The annual results for Flintshire compared to the averages are shown, along with the ranking position. The majority of these show Flintshire performing better than average and within the top half in terms of ranking.
1.07	Appendix G shows the status of current investigations into alleged fraud or irregularities. The table includes the start dates of the investigations.

2.00	RESOURCE IMPLICATIONS
2.01	None as a direct result of this report.

3.00	CONSULTATIONS REQUIRED / CARRIED OUT
3.01	None required.

4.00	RISK MANAGEMENT
4.01	The work of Internal Audit provides assurance to the Council that adequate and effective controls are in place to mitigate risks.

5.00	APPENDICES
5.01	Appendix A – Operational Plan 2015/16 Appendix B – Changes to the Operational Plan Appendix C – Final reports issued Appendix D – Action Tracking Appendix E – Performance Indicators Appendix F – WCAG Benchmarking Appendix G – Investigations

6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
6.01	None. Contact Officer: David Webster, Internal Audit Manager Telephone: 01352 702248 E-mail: david.webster@flintshire.gov.uk

7.00	GLOSSARY OF TERMS
7.01	Wales Audit Office: works to support the Auditor General as the public sector watchdog for Wales. They aim to ensure that the people of Wales know whether public money is being managed wisely and that public bodies

in Wales understand how to improve outcomes.

Corporate Governance: the system by which local authorities direct and control their functions and relate to their communities. It is founded on the basic principles of openness and inclusivity, integrity and accountability together with the overarching concept of leadership. It is an inter-related system that brings together the underlying set of legislative requirements, governance principles and management processes.

Wales Chief Auditors Group: An informal meeting group of Chief Auditors to discuss items of mutual interest.

Operational Plan: the annual plan of work for the Internal Audit team.

Operational Plan 2015/16

Audit	Audit Classification	IA Risk Rating	Plan Days	Actual Days	Proposed quarter / Status
Corporate					
Delivery of the Business Plans	Advisory / VFM	R	40	9	WIP
Risk Management	Risk Based	A	10	10	DRAFT
Clwyd Theatre Cymru	Follow Up	A	10	2	DEFERRED
North Wales Residual Waste Partnership	Risk Based	A	10		COMPLETE
Corporate Governance	Risk Based	G	5		WIP
Total Planned Days – Corporate			75	21	
Community and Enterprise					
NEW Homes	Risk Based	R	10	12	FINAL
Homelessness	Risk Based	R	15		4
Housing Benefit	System Based	R	15	16	DRAFT
Council Tax and NNDR	System Based	R	20	29	FINAL
Corporate Debt Management	Risk Based	R	15	16	FINAL
Total Planned Days – Community & Enterprise			75	73	
Education and Youth					
Control and Risk Self-Assessment	Risk Based	R	15	21	COMPLETE
Risk based thematic reviews across all schools including central controls	Risk Based	R	45	20	WIP
21 st Century Schools – project management	Risk Based	R	15	3	WIP
Grants – Various WG requirement	System Based	R	15	14	COMPLETE
Free school meals - Funding arrangements	System Based	R	15	25	FINAL
School closures	Advisory	G	5		COMPLETE
Total Planned Days – Education & Youth			110	83	

Audit	Audit Classification	IA Risk Rating	Plan Days	Actual Days	Proposed quarter / Status
Governance					
Chair of the Council's Charity / Trust Fund	Risk Based		10	10	FINAL
Network Security	Risk Based	R	* See note		DEFERRED
FOI Requests	Risk Based	R	15	22	DRAFT
Data Protection	Advisory	R	10	14	DRAFT
Migration to Microsoft	Risk Based	R	15		4
Disposal of ICT Equipment	Risk Based	A	10	7	WIP
Payment Card Industry Data Security Standard	Risk Based	A	20	1	WIP
Cloud computing	Risk Based	A	* See note		4
Anti-virus procedures	Risk Based	A	15	23	FINAL
E Sourcing (Proactis)	System Based	A	15		DEFERRED
Select List Including Financial Vetting of Suppliers	System Based	A	20		DEFERRED
Contract Procedural Rules	Risk Based	A	20	33	FINAL
Electoral Register	Advisory	A	5		DELETED
Total Planned Days - Governance			155	110	
Organisational Change 1					
Alternative Delivery Models	VFM	R	20	23	COMPLETE
Leisure Services	System Based	G	20		4
Japanese Youth Exchange	Regulatory	G	5	3	FINAL
Total Planned Days – Organisational Change 1			45	26	

Audit	Audit Classification	IA Risk Rating	Plan Days	Actual Days	Proposed quarter / Status
Organisational Change 2					
Electronic stock taking (catering bus plan)	Advisory	A	5		4
21 st Century Schools – contract management	Systems Based	A	15		WIP
CCTV	Risk Based	A	15	16	WIP
Total Planned Days – Organisational Change 2			35	16	
People and Resources					
Payroll Follow up	Risk Based	R		12	FINAL
Payroll	System Based	R	20	4	WIP
E-Teach (Supply Staff) – Payroll and Recruitment	VFM	R	20	31	FINAL
Use of Relief, Agency and Self Employed Workers	Risk Based	R	20	9	WIP
Agile Working	Risk Base	A	20		4
Human Concepts Software	Advisory	G	5	1	COMPLETE
Main Accounting – Accounts Receivable (AR)	System Based	R	10	17	FINAL
Main Accounting – Accounts Payable (AP) / P2P	System Based	R	20	24	DRAFT
Main Accounting – General Ledger (GL)	System Based	R	10	12	FINAL
Treasury Management	System Based	R	15	1	WIP
Capital Programme	Follow Up	R	5	1	DEFERRED
Insurance	Risk Based	R	10	1	WIP
Medium Term Financial Strategy	Risk Based	A	10		4
Collaborative Planning	Risk Based	G	5	9	WIP
Pensions Administration and Contributions	System Based	G	15	13	DRAFT
Pension Fund Governance	System Based	G	10	1	COMPLETE

Audit	Audit Classification	IA Risk Rating	Plan Days	Actual Days	Proposed quarter / Status
Total Planned Days – People & Resources			195	136	
Planning and Environment					
Section 106 Agreements	Risk Based	R	15	26	DRAFT
Pest Control	Risk Based	A	5	2	WIP
Pollution Control	Risk Based	G	15		4
Total Planned Days – Planning & Environment			35	28	
Social Services					
Client Finances / Receivership, including Community Living	Risk Based	R	20	3	WIP
Residential Care Homes	Advisory	R	20	15	FINAL
Direct Payments	System Based	R	20	23	FINAL
PARIS – Finance Module	Advisory	A	5		DEFERRED
Total Planned Days – Social Services			65	41	
Streetscene and Transportation					
Concessionary Travel	Risk Based	R	20		4
School Transport – Contract Management	Risk Based	R	10	1	DEFERRED
Waste Contract Management	Follow up	R	15	1	WIP
Waste Management	Follow Up	R	15	8	WIP
Integrated Transport	Advisory	R	5		WIP
Fleet Management	Advisory	A	5		WIP
Total Planned Days – Streetscene & Transportation			70	10	

Investigations, Provisions and Developments		
Provision for investigations and pro-active fraud	200	208
Provision for ad-hoc requests from management	80	27
Follow up reviews	30	12
Audit development	20	77
IDEA	20	
Advisory work	40	13
Total	390	337
Overall Plan Total	1250	881

* Note: It may be necessary to bring in external resource to complete this technical ICT audit

Definitions

Risk based audits

Work based on strategic and operational risks identified by the organisation in the Improvement Plan and Service Plans. Risks are linked to the organisation's objectives and represent the possibility that the objectives will not be achieved.

Systems based audits

Work in which every aspect and stage of the audited subject is considered, within the agreed scope of the audit. It includes review of both the design and operation of controls.

Advisory

Participation in various projects and developments in order to ensure that controls are in place.

VFM (Value For Money)

Audits examining the efficiency, effectiveness and economy of the area under review.

Follow Up

Audits to follow up recommendations from previous reviews.

Additions

Audits added to the plan at the request of management, time used from the provision for requests.

CHANGES TO THE AUDIT PLAN – SINCE THE LAST MEETING

Audits deleted /deferred from the plan

Corporate

Clwyd Theatr Cymru - new Business Plan in place, new Director, going through re-structure.

Governance

Network Security – unable to obtain an external resource to complete this audit.

E Sourcing (Proactis) – system still being rolled out.

Select list – will be covered by Proactis

People and Resources

Capital Programme Follow Up – Strategy just being implemented.

Streetscene and Transportation

School Transport Contract Management – waiting for contract renewal exercise.

Audits added to the audit plan

People and Resources

Payroll Follow Up

Streetscene and Transportation

Winter Maintenance

CHANGES REPORTED TO PREVIOUS MEETINGS

Audits deleted /deferred from the plan

Governance

Electoral Register – data matching against other databases no longer required.

Audits added to the audit plan

Community and Enterprise

Flying Start – request from new management.

Social Services

Housing Allocations – Controls around the new process

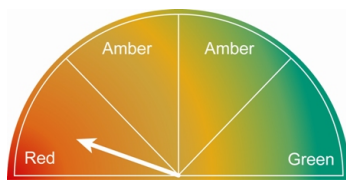
Appendix C

The following reports have been finalised since the last Audit Committee. Action plans are in place to address the weaknesses identified. For reviews which received red assurance a summary of the findings and the Action Plan is attached.

Project Reference	Project Description	Level of Assurance	Recommendations		
			High	Med	Low
14-2015/16	Corporate Debt Management	Amber +	0	2	4
20-2014/15	School Funding Formula	Amber +	0	2	3
04-2015/16	Direct Payments	Red	2	4	0
24-2015/15	Single Status Payments	Green	0	0	2
21-2015/16	Chair of the Council's Charity	Amber -	1	2	1
03-2015/16	Japanese Youth Exchange	n/a	0	0	0
07-2015/16	School Meal Funding	Amber +	0	1	4
04-2014/15	Strategic Partnerships	Amber +	0	1	3
05-2015/16	Contract Procedural Rules	Amber -	0	6	2
4SF-2015/16	Payroll	Green	0	1	3
20-2015/16	Eteach	Red	3	1	0
06-2014/15	Consultancy Costs	Red	1	9	1
06-2015/16	Residential Care Homes	n/a	0	0	0
31-2015/16	Council Tax	Green	0	0	2
16-2015/16	NEW Homes	Amber +	0	5	12
26-2015/16	Anti-Virus Procedures	Green	0	1	3
36-2015/16	Main Accounting – General Ledger	Amber -	8	6	1
35-2015/16	Main Accounting – Accounts Receivable	Amber +	0	1	2

Levels of Assurance – standard reports.

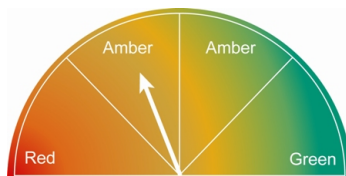
The audit opinion is the level of assurance that Internal Audit can give to management and all other stakeholders on the adequacy and effectiveness of controls within the area audited. It is assessed following the completion of the audit and is based on the findings from the audit. Progress on the implementation of agreed actions will be monitored. Findings from **Red** assurance audits or audits with **High** level recommendations will be reported to the Audit Committee.



Urgent system revision required (one or more of the following)

- Key controls are absent or rarely applied
- Evidence of (or the potential for) significant financial / other losses
- Key management information does not exist
- System / process objectives are not being met, or are being met at a significant and unnecessary cost or use of resources.

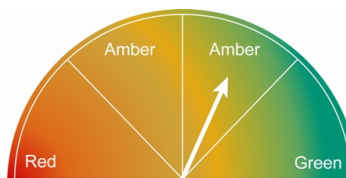
Impact: a lack of adequate or effective controls leading to a high probability of one or more of: loss, fraud, impropriety, waste, damage to reputation and / or failure to deliver organisational objectives.



Significant improvement in control environment required (one or more of the following)

- Key controls exist but fail to address all risks identified and / or are not applied consistently and effectively
- Evidence of (or the potential for) financial / other loss
- Key management information exists but is unreliable
- System / process objectives are not being met, or are being met at an unnecessary cost or use of resources.

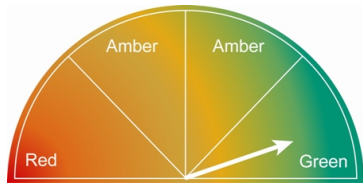
Impact: key controls are generally inadequate or ineffective and there is an increased probability of one or more of: loss, fraud, impropriety, waste, damage to reputation and / or failure to deliver organisational objectives.



Key Controls in place but some fine tuning required (one or more of the following)

- Key controls exist but there are weaknesses and / or inconsistencies in application though no evidence of any significant impact
- Some refinement or addition of controls would enhance the control environment
- Key objectives could be better achieved with some relatively minor adjustments

Impact: key controls generally operating effectively but there remains a potential risk of one or more of: loss, fraud, impropriety or damage to reputation and / or failure to deliver organisational objectives.



Strong controls in place (all or most of the following)

- Key controls exist and are applied consistently and effectively
- Objectives achieved in a pragmatic and cost effective manner
- Compliance with relevant regulations and procedures
- Assets safeguarded
- Information reliable

Impact: key controls have been adequately designed and are operating effectively to deliver the key objectives of the system, process, function or service.

Levels of Assurance – follow up reports.

Substantial. 75%+ of recommendations have been implemented. All high recommendations have been implemented.

Reasonable. 51-75% of recommendations have been implemented. All high recommendations have been implemented.

Some. 30-50% of recommendations have been implemented. Any outstanding high recommendations are in the process of being implemented.

Limited. <30% of recommendations have been implemented. Unsatisfactory progress has been made on the implementation of high recommendations.

Categorisation of Recommendations

High, Medium, Low

Recommendations are prioritised to reflect our assessment of risk associated with the control weaknesses

Value For Money

The definition of Internal Audit within the Audit Charter includes ‘It objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper economic, efficient and effective use of resources.’ These value for money findings and recommendations are included within audit reports.

The findings from both the Direct Payments report and the E Teach report are predominantly about value for money

Strategic Partnerships – Self Assessments.

An action from the Audit Committee meeting in May 2014 was to share the work of Internal Audit and the Policy, Partnership and Performance team on external partnership governance and performance. That resulted in an audit review in 2014/15, and the report has now been finalised. The results are as follows.

During 2014/15 there were 8 strategic partnerships within Flintshire. Each strategic partnership is required to carry out an annual self-assessment to assess the effectiveness of strategic partnership working. It was agreed the audit would review and consider the adequacy of the controls in place around the strategic partnership self assessment process.

The assurance level given in the report is Amber / Green – key controls in place but some fine tuning required.

Areas managed well include

There is a robust framework in place for the self-assessment of strategic partnerships. Strategic partnerships accept the need for a self-assessment process, and as such appropriate resources are given to the completion of the assessment and dissemination of feedback.

Results of the annual self-assessment of the strategic partnerships are reported back to the LSB.

However, it was recognised that the self-assessment documentation in use was no longer fit for purpose. The partnership landscape has changed over the last few years and as such the assessment no longer asks the right questions, the documentation is overly bureaucratic, lengthy and repetitive.

Internal Audit researched and produced an updated template for the self-assessment based on a CIPFA document – ‘Evaluating Partnerships – An Overview and Compendium of Approaches’. This is being used as a starting point from which the Partnerships team can develop the partnership governance framework.

Summary of Findings and Action Plan of Reviews with Red Assurance level

Direct Payments – 04-2015/16

We have made 2 high level recommendations and 4 medium level recommendations based on the following:

- The need for closer monitoring of Direct Payment accounts. All actions should be addressed and a review of details maintained on individual service users undertaken to ensure the accuracy of payments.
- Annual Reviews on Direct Payment recipients need to be prioritised and brought up to date.
- The appropriate data fields should be fully completed on PARIS to evidence compliance with regulations regarding Direct Payments.
- Compliance under the terms and conditions of the contract with the support agency should be more closely monitored and the appropriate monitoring information collected and collated.
- A formal monitoring tool to assess the impact/success of direct payments would be beneficial as would a more formal financial strategic policy document.
- A robust process is needed to ensure all jointly funded direct payment recipients are captured on the database maintained by the Financial Assessments Team

No.	Findings and Implications	Agreed Action	Who	When
1	<p>Financial monitoring of direct payments used to be undertaken by the Financial Monitoring Officer and signed off by the Financial Development Officer. When the Financial Monitoring Officer left their post this function was passed over to the Financial Assessment Team.</p> <p>We tested a sample of 20 direct payment recipients and looked at the financial monitoring that had taken place on their accounts. We found a significant number of shortcomings on the financial monitoring. These</p>	<p>A clearly defined and robust monitoring process will be implemented by the Financial Assessment and Charging Team (FACT) to ensure all direct payment recipient accounts are brought up to date and all resulting actions or queries responded to. Management will consider instigating regular meetings with the relevant Reviewing Officer/Social Worker to ensure all issues are resolved in a timely manner.</p> <p>Management will carry out a full review of</p>	Senior Financial Assessment Officer	31/12/2015

No.	Findings and Implications	Agreed Action	Who	When
	<p>identify:</p> <ul style="list-style-type: none"> • Only 15 per cent (3/20) of service users sent in the required documentation, which includes invoices to support expenditure. • In the remaining cases bank statements and occasionally Income and Expenditure sheets had been submitted. Financial monitoring notes did highlight key records had not been sent in but these have not been acted upon. The support agency have been contacted but the situation has not improved. • Only 15 per cent (3/20) of the financial monitoring sheets were up to date. For some of our sample regular monitoring was first established and then there was no further monitoring over a two year period. • There appears to be an issue with the independent payroll provider, in receiving information requested from them in order to monitor certain service user accounts. • 15 per cent (3/20) of our sample have a regular excessive bank balance but these have not been resolved or monitored regularly. In one case a service user has over £20k in their bank account. A note has been recently added to PARIS to highlight this but no action has been taken to date. This service user appears to be being paid too much by the Authority in relation to the proportion between Health and Flintshire. • 5 per cent (1/20) of financial monitoring has picked up unauthorised hours of care being purchased and a request for an Annual Financial Review made. This has not been undertaken. 	<p>payment information held for direct payment recipients and ensure details agree between the PARIS system, Financial Assessment records and Care plans are still relevant and appropriate.</p> <p>The operational group will be re-instated and membership reviewed. FACT and Development Officer for this action.</p> <p>The Direct Payments Service User start up letter will be reviewed ensuring the expectations around monitoring requirements are very clear.</p> <p>The current Direct Payment Agreement Documents will be reviewed and made more user friendly.</p> <p>Ensure all Service Users have a signed agreement on their file.</p> <p>Develop procedures for stopping payments if there is noncompliance with financial regulations and procedures. FACT and Development Officer for this action.</p> <p>Agree a clear process when a Service User does not pay their contribution in to the account. FACT and Senior Manager for this action.</p> <p>Agree the context of training session with Social Workers to ensure they know what is required of them when they are setting up a Direct Payment for a Service User. Deliver training through Team</p>		

No.	Findings and Implications	Agreed Action	Who	When
	<p>As part of our review of the direct payments we also examined the payments on FACT and compared these details to PARIS under Service Information. Several anomalies were found:</p> <ul style="list-style-type: none"> • 30 per cent (6/20) of service users in receipt of a Direct Payment (DP) package was showing as 'zero' DP on PARIS. • Only 15 per cent (3/20) of the DP details in PARIS agreed to the FACT system, with the majority differing between the FACT system and Care Plan details. • Hourly rates have often not been updated to reflect the rates actually being paid. There were also instances where several different rates of pay were being paid to service users. These rates were also different from the current DP rates of pay provided to us. • In one case it was identified that a service user is still being paid DP despite notes on PARIS saying this case has been closed in March 2015. • An issue has been raised on PARIS regarding one Direct Payment recipient living with her provider who manages the Direct Payments and also pays herself. This has not been responded to. 	<p>Meetings. FACT and Service Managers for this action.</p> <p>Run a report to identify Service Users on different payment rate. Formalise our position relating to rates and adopt. FACT and Senior Managers.</p> <p>Amend lotus database to add 2 new fields, Joint packages & review date</p> <p>Develop a monitoring tool either with Accountancy Investigate with other Authorities their procedures around financial risks</p> <p>Ensure clear procedures are in place before any new Provide Assisted Direct Payments are set up</p> <p>Run a report from Paris to see what forms have been jointly funded with Health</p> <p>Produce a checklist for closing Direct Payment when they are for very small amounts and Accountancy don't need to be involved. FACT and Accountancy.</p> <p>Ensure Financial Assessment Officers have training on Children's Services in Paris. FACT and Business Systems Team.</p> <p>Implement agreed approach for hospital and respite retainers. FACT and Senior Managers.</p> <p>Review Learning Disability night rate of £111.28</p>		

No.	Findings and Implications	Agreed Action	Who	When
		<p>Senior Financial Assessment Officer to meet with all Financial Assessment Officers to discuss their Direct payment caseload and produce action plans where necessary.</p> <p>The implementation of Direct Payments Card will strengthen financial oversight of Direct Payments. FACT Team and Business Manager.</p>		
2	<p>The Social Services Finance Team are responsible for undertaking a financial review of every service user's account annually, however there is a resource issue within the department so it has not been possible to look at all accounts as per the guidance. It has been agreed within the service, until extra resource is obtained, to monitor cases with known issues or 'higher risk'. The Team are hoping to have the extra resource in post by September and the Finance Officer is keen to find a resolution to ensure the appropriate level of monitoring is taking place and is intending to split the financial reviews between all finance officers in the short term to avoid a large backlog developing.</p> <p>As part of the Audit we looked at a sample of 20 direct payment recipients financial assessment files for evidence of an annual financial review. This identified that five cases were not due an annual financial review.</p> <p>For the remaining 15 cases there was no evidence on file for any Annual Financial Review having been completed for seven cases, whilst seven files</p>	<p>Management will implement a process to identify Annual Financial reviews needing completion, and whilst recognising there is a resource issue, liaising closely with the Financial Assessments Team to prioritise financial reviews where there are known issues and for those never having had a financial review since the beginning of the direct payment start up.</p> <p>Set a target of 1 financial review completion per team member per working day. If any team members are able to achieve a greater output than this then it will be encouraged in order to clear the backlog more quickly. When the backlog is cleared, more permanent arrangements will be determined for ongoing service provision.</p> <p>The Accountant will implement a process for team members to record their daily completions and will at the end of each completed week summarise progress and identify and address any issues where individual team members are unable to</p>	Finance Officer	31/12/2015

No.	Findings and Implications	Agreed Action	Who	When
	<p>demonstrated service users had had one Annual Financial Review but these were not up to date (last review in one case dating back to 2013). Only in one case was it found that the Annual Financial Reviews had taken place and were up to date.</p> <p>Overall testing revealed that there are large numbers of Annual Financial Reviews that have not been completed and that the majority of Direct Payment recipient files require bringing up to date.</p> <p>A review of the Annual Financial Review design itself was completed and found that this alone would not detect unauthorised purchasing of hours for care as it merely reconciles the bank account to the income and expenditure presented and highlights any excess or shortage of funds in the bank.</p>	<p>meet their assigned quota of review completions. Collective progress will then be reported to Social Services Management team with the aim of achievement of an immediate and sustained reduction in the backlog of case files awaiting their annual review.</p> <p>Consider the benefits of reinstating the financial risk measure that was developed within the DP Financial Monitoring Process. This would help prioritise financial reviews. This tool was based on the model designed by the Chartered Institute of Public Finance and Accountancy (CIPFA)</p>		
3	<p>It was not possible from our testing to verify full compliance with the assessment process as not all fields are completed on PARIS.</p> <p>Often the fields for entering whether the service user has accepted the offer of a Direct Payment are left blank. Consequently, there is no way of assessing whether the package is less in monetary terms than the accessing of social services in the traditional way.</p>	<p>Management will introduce procedures to ensure details of individual cases are entered comprehensively on PARIS as this is the main record for Direct Payment cases. The Fact Team will work with the Social Work Team Managers for this action.</p> <p>Within the latest DP Financial Monitoring Draft was a proposal for a DP Audit page within Paris to help with recording and retaining statistical information. The department will investigate this further. The Business Systems Team Will work with the FACT Team on this action.</p>	Senior Financial Assessment Officer	31/03/2016
4	We reviewed the quality of the information sent from the support agency to the Authority.	Management will ensure robust contract management arrangements are in place to ensure full compliance under the terms and conditions of	Senior Manager – Commissioning	30/11/2015

No.	Findings and Implications	Agreed Action	Who	When
	<ul style="list-style-type: none"> • Each quarter the Trust submits a report entitled 'Direct Payments Information and Advice Support Service'. This includes details of the current staffing and management of the service together with information regarding meetings, events and staff training. Local updates are included as are the numbers of those receiving a payroll service and Third Party Supported Accounts. A sample of comments on feedback are included. • Statistical information is provided each quarter in the form of Pie Charts showing the total numbers in receipt of Direct Payments, the number of referrals in the quarter and referrals by Team, gender age and ethnicity. The total number of recipients of DPs are shown by percentage receiving high, medium and low support. • A spreadsheet of referrals in each quarter is maintained detailing the name, address, date of birth and telephone numbers of those referred. The team referred from with action date and start date is provided. Other information supplied each quarter includes a DBS recording sheet and a Personal Assistant (PA) Path Finder Report. <p>Whilst the report sent quarterly from the support agency contains useful general information it is not possible to monitor whether they are successful at achieving a 'throughput' of 6 months support, the desired outcome from the support service.</p> <p>The contract with the support agency clearly stipulates the required level of monitoring from the agency under section 6 of the Service Specification. The quarterly</p>	<p>the contract with the support agency in order to assess value for money and desired outcomes. The support agency are working closely with operational services to enhance their performance date.</p> <p>A full monitoring review of the support agency will be undertaken within the next 6 weeks with an agreed action plan developed to ensure proper assurance can be given on the outcomes achieved by the organisation.</p>	and Performance	

No.	Findings and Implications	Agreed Action	Who	When
	<p>monitoring should include details of assessment and outcome such as those referred for assessment or to other services, the number of people leaving the scheme within 12 months and those waiting for a service and the length of time they have been waiting. The number of comments, compliments and complaints should include details of content and any applicable actions.</p> <p>In addition to the quarterly monitoring, the support agency are required under section 8 and 9 of the Service Specification section of the contract, to submit annual reports showing how the funding has been used, outcomes and outputs in relation to the Provider performance indicators and details of outcomes achieved. Performance Indicators are detailed at section 3 of the Service Specification section of the contract. These include:</p> <ul style="list-style-type: none"> • To provide 60 hours of support per week to meet the needs of the people using the service. • 100% of new people using the service should be enabled to set up and manage their Direct Payment independently within 6 months. • Monitoring information should be received within one month after the end of each quarter. <p>Outcomes are monitored on service users being able to recruit, select and manage their individual support and understand their responsibilities. To be able to assess whether outcomes are being achieved the support agency should have developed and maintained a system of quality assurance which demonstrates that</p>			

No.	Findings and Implications	Agreed Action	Who	When
	<p>support needs of service users are being effectively responded to and met. This should include customer satisfaction questionnaires, research and consultation with service users and ongoing monitoring and evaluation of the service. We were informed that all monitoring information is sent in quarterly and the support agency's Annual Reports are published on their website. We looked at the latest Annual Report for 2014 on the website and observed that this is a general national report and does not contain local monitoring information required by the Authority's contract with them.</p> <p>Consequently the Authority cannot gain assurance the support agency are achieving their outcomes through the monitoring and performance information produced.</p>			
5	<p>The Financial Development Officer has reported that a financial efficiency has been linked to an increase in uptake of direct payments and that this has been recorded within the Services' strategic plans. An approximate saving of £1m has been identified as deliverable by 2017/18. However, this is based on the rationale that approximately 450 Older People receive domiciliary care per week at an extra cost per week of £43.37 over the cost of direct payments. The assumption is that all 450 will transfer to direct payments to achieve the saving. Currently there are 46 Older People receiving direct payments.</p> <p>A number of cost comparisons have been undertaken by the Financial Development Officer on the potential savings of direct payments over the cost of traditional</p>	<p>The Authority to implement a formal monitoring tool to be able to assess how direct payments are working. To be able to assess whether they are successful the Authority will need to look at two distinct areas.</p> <ol style="list-style-type: none"> 1. Demand for managed services- what has been the pattern since the onset of DP s 2. Has there been a reduction in dependency for service users, in other words has the support agency delivered on outcomes? <p>Also have there been any efficiencies seen in budgets for managed services?</p> <p>As take up of direct payments is being targeted a</p>	Development Officer	31/12/2015

No.	Findings and Implications	Agreed Action	Who	When
	<p>savings. The most recent comparison shows totals for the year 2012/13 with an approximate saving of £500k on direct payments as against traditional services.</p> <p>It must be noted that this cost comparison shows an approximate annual cost of direct payments at £1.6m. the numbers of direct payments have greatly increased since these figures were produced and taking the June 2015 Direct payment run figure as a 'norm' the annual cost of direct payments is now at around £4m excluding the support agency cost of £65k. The cost comparisons are all taken against the hourly rate for traditional services which is always higher than the hourly rate paid to the direct payment recipients so will always result in a 'saving' by comparison. Not all recipients are paid at an hourly rate however, some are on annual or monthly budgets which may be more difficult to assess the traditional route comparison.</p> <p>At no point has an analysis been undertaken using comparative figures on spend since the inception of direct payments to gain a fuller picture of actual efficiencies.</p>	<p>Financial Strategy will be developed and reviewed every 6 months to take account of different pressures such as the added costs of pension provision for service users as employers and so on.</p>		
6	<p>Direct Payment funding comes out of individual service area budgets but they are often jointly funded with the Local Health Board depending on the nature of support required.</p> <p>The Social Workers/Reviewing Officers should complete the Service Information tab on PARIS so that it is clear on the cost of the funding and where it is coming from. Our review of a sample of 20 direct payment recipients revealed that the service</p>	<p>Management will review all jointly funded Direct Payment recipients and ensure a clear process ensures all are captured on the spreadsheet maintained by the Financial Assessment Team Officer responsible for the recharging of funds to the Local Health Board.</p>	Senior Financial Assessment Officer	31/12/2015

No.	Findings and Implications	Agreed Action	Who	When
	<p>information field within PARIS is often not completed and the cost of the packages are put at 'zero'. Almost half of our sample either had the package cost as zero or no details at all.</p> <p>The Financial Assessment Team are heavily reliant on being notified of all cases with joint funding. There is little confidence that the team has a full record of all such cases. Where service users revert to traditional services this will be picked up by the monitoring but as this is not up to date it is possible for direct payments to be continued for a time after they should have stopped.</p>			

Action Tracking – Portfolio Performance Statistics










Report Date: February 2016




Portfolio	February 2016 Stats			Live Actions - As at February 2016		
	Number of Actions Live Since January 2016	Actions Implemented since 04.01.2016 (including Actions No Longer Valid)	% of Actions Cleared To Date	Live Actions	Actions Beyond Due Date (excludes Actions with a revised due date)	Actions with a Revised Due Date
Corporate	16	12	51%	4	0	4
Community & Enterprise	31	10		21	0	2
Education & Youth	24	16		8	2	4
Governance	33	10		23	7	4
Organisational Change 1	0	0		0	0	0
Organisational Change 2	15	1		14	0	12
People & Resources	61	44		17	1	11
Planning & Environment	0	0		0	0	0
Social Services	22	4		18	3	1
Streetscene & Transportation	13	13		0	0	0
Total	215	110		105	13	38

<u>Historical Stats</u>	Number of Actions Live as at 04 January 2016	Actions Implemented since 04.01.2016 (including Actions No Longer Valid)	% of Actions Cleared To Date	Live Actions	Actions Beyond Due Date (excludes Actions with a revised due date)	Actions with a Revised Due Date
January 2016	202	69	34%	133	50	28

Appendix E

Internal Audit Performance Indicators

Performance Measure	Q2	Q3	Target	RAG Rating
Internal Audit Departmental Targets				
Audits completed within planned time	71%	100%	80%	 ↑
Average number of days from end of fieldwork to debrief meeting	20.1	18.1	20	 ↑
Average number of days from debrief meeting to the issue of draft report	4.1	8.8	2	 ↓
Days for departments to return draft reports	20.6	9.10	3	 ↑
Average number of days from response to issue of final report	1.9	4.10	2	 ↓
Total days from end of fieldwork to issue of final report	46.7	40.10	27	 ↑
Client questionnaires responses as satisfied	100%	100%	95%	 →
Productive audit days	82%	82%	75%	 ↑
Other Targets				
Return of client satisfaction questionnaires	50%	90%	70%	 ↑

Key  Target not achieved  Within 10% of target  Target Achieved

↑ Improving trend → No change ↓ Worsening trend

Wales Chief Auditors Group Benchmarking 2014/15

Wales Average Scores are from the 19 Authorities who took part in the benchmarking exercise. Not all Authorities answered all the questions

	Wales Average	Flintshire	Position
% of planned audits completed 2014/15	83%	92%	6 th =
% of audits completed within planned time	69%	84%	6 th
Average number of days from audit closing meeting to issue of draft report	7.6	9.5	9 th =
Average number of days from response to draft report to issue of final report	1.8	1.5	7 th =
% of client questionnaires returned	59%	57%	7 th
% of client questionnaires at least satisfied	98%	100%	1 st =

Investigations

Ref	Date Referred	Investigation Details
1. The following new referrals have been received		
1.1	04.12.2015	A referral has been received concerning potential theft of Council equipment, the investigation is ongoing.
1.2	25.01.2016	A referral has been received concerning monies missing from a community living house. The matter has been referred to the Police who have decided not to investigate. An internal investigation has highlighted control weaknesses, an internal audit report is being prepared to address these weaknesses.
1.3	27.01.2016	A referral has been received concerning missing monies from a Council establishment, The matter has been investigated and a report is being prepared to address identified control issues.
2. The following investigations have been reported to previous committees and are still being investigated		
2.1	05.11.2014	Internal audit were informed of the alleged theft of money from a Community Network House which has affected three service users. The Police have been informed. No further action is to be taken until the outcome of the police investigation is known.
2.2	20.07.2015	A whistleblow has been received concerning alleged issues at a school, the investigation is ongoing.
2.3	18.05.2015	A referral was received concerning the use of monies on a grant funded scheme. The investigation is currently ongoing.
3. The following investigations have been completed		
3.1	17.09.2015	A referral was received concerning an alleged theft from an extra care facility. The Police were informed but decided not to investigate. A member of staff has been dismissed following a disciplinary investigation.

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Eteach – 20-2015/16

We have made 3 high level recommendations and 1 medium level recommendation based on the following:

- E Teach needs to be procured in compliance with the Contract Procedure Rules and the Official Journal of the European Union. Any procurement exercise must ensure there is a robust contract, including Terms of Reference of the work to be commissioned, in place.
- It is unclear currently whether E Teach does provide value for money as a comparison to other available options has never been undertaken.
- A data cleansing exercise needs to be carried out on all users of the E Teach system to ensure that staff who have left the employ of the Authority are prevented from accessing the system and that staff who no longer need access are removed on a timely basis. This would reduce the risk of a breach in Data Security.
- E Teach guidance/procedure notes need to be in place in Employment Services and at individual schools.
-

No.	Findings and Implications	Agreed Action	Who	When
1	<p>As part of the audit review a copy of the Contract with E Teach was requested from Employment Services but this could not be located. A copy was later obtained directly from E Teach. The signed contract provided dated back to 2003 for the E Teach Booking system only. In 2013, Employment Services inherited and took over the management of the E Teach system whilst the budget for the payment of the system invoices remained within Education and Youth. Since 2003, the contract has been rolled over annually following the payment of the invoices for the E Teach licences. Following the debrief meeting to discuss the draft report a copy of a signed contract, dating back to 2003, for the Register/Booking Module was provided by the Employment Services Manager.</p> <p>The Authority currently uses two modules of E Teach. The Recruitment module and the Register/Booking Module. The</p>	<p>Employment Services have already made contact with the Corporate Procurement Unit and currently in the process of applying for a tender exemption. Employment Services will continue to liaise with the unit for further advice to ensure compliance with the Council's CPRs.</p> <p>FCC will retain a copy of an appropriately signed contract, including terms of reference, covering all services provided by E Teach.</p> <p>UR 00153</p>	Employment Services Manager	31/03/16

No.	Findings and Implications	Agreed Action	Who	When
	<p>current contract period for the Recruitment module is 01/09/2014 to 31/08/2015 and the Booking module licence runs from 12/02/2015 to 11/02/2016.</p> <p>Currently the Authority funds £44k per annum for the use of E Teach. This split between £20k for the Recruitment module and £24k for the Supply Register/Booking module. This includes two annual licences one for each of the above modules. The total cost of the contract over a four year period is circa £176k.</p> <p>The contract with E Teach has been in place for 12 years without any evidence of testing the market, competitive tendering, or applying for CPR exemptions during this period.</p> <p>The Council's Procurement Unit were consulted and they confirmed that either a full OJEU tender exercise or a 'call off' from a compliant framework agreement (if one exists) should have been undertaken. In the absence of these an exemption under the CPR's should be applied as stated in the Council's CPRs:</p> <ul style="list-style-type: none"> • CPR 10.2(c) "The works/goods/services can be provided only by a particular contractor for reasons that are technical, artistic, or connected with the protection of exclusive rights"; and • CPR (g) "that goods are required as a partial replacement or addition to existing goods or installations and obtaining them from another contractor would result in compatibility or disproportionate technical difficulties in operation or maintenance". <p>Whilst there are general terms and conditions within the</p>			

No.	Findings and Implications	Agreed Action	Who	When
	<p>contract for E Teach there is an absence of a specific terms of reference / service specification. This may have been in place in 2003 but it cannot be located and would probably be out of date some 12 years later as there have been developments and system changes.</p> <p>At present E Teach is being used for the supply register and the recruitment module. When the contract was originally placed with E Teach this was only for the supply register and the recruitment module was a subsequent addition. There has been some discussion as to whether this is two contracts with E Teach rather than one and whilst an addendum to the supply register contract has been found, there is no direct reference within the paperwork that this relates to the recruitment module. Whilst there are two licence fees, these are to one company and accessed via one system consequently, in accordance with the Council's CPRs aggregation of spend has to be considered.</p>			
2	<p>The Internal Audit Report (LL0190N1) issued in 2010 recommended an evaluation of the most cost effective and efficient method of recruiting supply teachers by comparing E Teach and agency placements. This recommendation was accepted but at the time of this audit review an evaluation had still not been carried out to determine whether E Teach provides value for money.</p> <p>A similar exercise has been carried out by a neighbouring authority to evaluate the most cost effective and efficient method of recruiting supply teachers by comparing E Teach costs and agency costs. Their review evaluated the existing arrangements and considered alternative options which could be made available to schools, which would also enable efficiencies to be made on supply expenditure. The</p>	<p>The true cost of how much is spent through the use of E Teach needs to be identified. To address this a cost comparison exercise will be completed on the costs of using agency placements for supply teachers in comparison to the E Teach system.</p> <p>Based on the outcome of the cost comparison exercise the current arrangements will be reviewed. The outcome of this review may have an impact on the SLA HR has with Schools.</p> <p>UR 00163</p>	<p>Accountant</p> <p>Employment Services Manager</p>	<p>31/12/15</p> <p>31/03/16</p>

No.	Findings and Implications	Agreed Action	Who	When
	<p>review identified that E Teach was cheaper for support staff only. It is also understood that neighbouring authority are to retain E Teach for Welsh Medium & Specialist Teachers. However the neighbouring will now use New Directions for general supply teachers.</p> <p>New Directions has been adopted as the preferred agency supplier from the All Wales Framework. A report has been produced by New Directions which shows the potential savings for Flintshire if we used this Agency for all supply staff i.e. discontinued the use of E Teach.</p> <p>Whilst Flintshire use New Directions, six other agencies are also used include E Teach. Education Finance were approached and confirmed the cost of Agency staff for 2014/15 totalled £1.9 million with Capita having the highest spend of £666K. Despite numerous requests it has not been possible to identify how much the authority spends on supply staff through E Teach.</p> <p>Without this information it is impossible to carry out an evaluation of the most cost effective and efficient method of recruiting supply teachers and support staff.</p>			
3	<p>A user report was requested from Employment Services detailing user name, actual name, last login date and the school at which the users were employed.</p> <p>Internal Audit were informed that this would need to be requested from E Teach. E Teach were contacted and the report was eventually supplied.</p> <p>A sample of 20 active users were selected from the User Report supplied by E Teach and cross referenced to iTrent</p>	<p>Dependent on the outcome of Action 2 Employment Services to liaise with the ICT Information Manager, E Teach.</p> <p>The Certifying Officers list didn't previously link in with E Teach but this system will now be used to perform regular housekeeping to ensure officers who have left the Council or have changed position have their access to E Teach removed. Employment Services will obtain a user report</p>	Employment Services Manager	31/01/16

No.	Findings and Implications	Agreed Action	Who	When
	<p>to confirm whether these individuals remained employed with Flintshire. The testing found:</p> <ul style="list-style-type: none"> • Nine individuals were still employed by FCC (as per iTrent) but had not accessed the system since 04/03/14. • Eleven employees had left the Authority but their access to E Teach remained active. • Nine of those individuals who had left the Authority had accessed E Teach after the date they had left the Authority. Four of these were Head Teachers, two were Deputy Head Teachers (and as such would have approver/authorisation access), one was a Business Manager/admin and two were Admin/Secretary/Invigilators. <p>E Teach is web based and can therefore be accessed remotely provided they still have access to the system.</p> <p>It should be noted that access to the system enables the user to view (and in some cases amend) the following fields: name, full address, telephone number, NI.no, DOB, payroll number, ethnic group, registered disabled, qualified date, skills, excluded schools, clearance checks and DBS information fields. At the time of the review there were 2891 supply teacher records on the system.</p> <p>We consider accessing E Teach once an individual leaves the employment as a potential breach in data security. This was discussed with the IT Information Manager who is of the opinion that this is a Data Protection breach as these nine individuals could have potentially viewed all 2,891 profiles.</p> <p>To determine what these individuals had accessed, E Teach were contacted but were unable to provide a report of what</p>	<p>from E Teach monthly to facilitate effective monitoring of leavers, staff transfers.</p> <p>A general data cleansing exercise will be carried out as a matter of urgency.</p> <p>A list of reports will be defined and requested from E-Teach on a periodic basis i.e. list of users, input and approval of payments, users who have not accessed the system for 3months etc or alternatively Employment Services staff should be trained to generate the reports.</p> <p>A user access form is now available on Moodle, the schools infonet.</p> <p>UR 00164</p>		

No.	Findings and Implications	Agreed Action	Who	When
	<p>these individuals viewed or how many occasions they had logged on as the user's last log in would have overridden all previous log ins and the system does not possess a sufficient audit trail to show which records and fields were viewed. However, E Teach did confirm that the individuals concerned did not carry out any processing actions i.e. adding a booking or signing off any hours.</p> <p>The user report also identified various users who should not have had access to the system i.e. Gloucester Schools Partnership and Options Kinsale. Additionally a number of users had two user names. These users have since been deleted.</p> <p>It should be noted that officers are not required to complete a user access form before being given access to the system. Due to a lack of housekeeping to remove individuals' access to E Teach once they have left the authority has allowed individuals to gain unauthorised access to the E Teach system.</p>			
4	<p>The audit identified the absence of documented procedures for E-Teach users within schools and Employment Services.</p> <p>Whilst documenting the system it was queried who is responsible for adding and removing users of E-teach. We were informed that E-Teach updated the system as Employment Services staff were not system administrators.</p> <p>E-Teach were contacted for clarification and advised they have been contacted by many Flintshire Schools to add new users/amend and delete users. E-Teach had been doing this as a 'favour' and were of the opinion that "the team at</p>	<p>E Teach procedure notes to be compiled for both Employment Services and for individual schools to ensure that all officers are aware of their roles and responsibilities in process.</p> <p>UR00155</p>	Employment Services Manager	31/01/16

No.	Findings and Implications	Agreed Action	Who	When
	<p>Flintshire were very busy and needed assistance with overflow".</p> <p>This raises questions over the ownership of the system and the data within it and the understanding of contract arrangement in place.</p> <p>During the audit procedures were discussed with Employment Services, E Teach and Schools. At no point were audit provided with the user notes. This also demonstrates the need to ensure that all parties concerned know their roles and responsibilities. Following the debrief meeting we were provided with a copy of E Teach user notes by the Employment Services Manager.</p>			

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